

Employee Engagement A Review of Current Research and Its Implications

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*God give us men. The time demands
Strong minds, great hearts, true faith, and willing hands.*
~Josiah Gilbert Holland, 19th-century poet

This phrase is as true to today's business environment as it was in Holland's day. Business leaders genuinely want and need people who are mentally and emotionally connected to their jobs and who are willing to apply discretionary effort, indeed willing hands, to help their companies succeed. "Employee engagement" is the conceptual framework around which we think about the particular form of connection between employees and their companies that involves minds, hearts and hands.

Defining Employee Engagement

The authors, researchers, and opinion leaders included in this review all agree that employee engagement is vitally important for the success of any company's human capital strategy. However, they all have their own perspectives on what employee engagement actually is. Generally, they do agree that employee engagement involves the interplay of three factors: cognitive commitment, emotional attachment, and the behavioral outcomes that result from an employee's connection with their company.

A composite definition, derived from these various approaches to employee engagement, could read as follows:

Employee engagement is a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that, in turn, influences him/her to apply additional discretionary effort to his/her work.

It is important to know, however, that the researchers tend to emphasize one (and sometimes two) of the three factors over the others in creating their particular definition for employee engagement.

Some definitions emphasize employees' cognitive connection to the work or organization and the subsequent behaviors that they demonstrate on the job. The Corporate Leadership Council (2004), Blessing White (2005), and Smythe (2005) emphasize satisfaction and commitment (both cognitive concepts) and their impact on how hard an employee is willing to work. Blessing White (2005) also identifies retention as one of these behavioral outcomes.

A second group focuses on the emotional attachments. Bates (2004) and Gubman (2004) both generally refer to engagement as a heightened emotional attachment to one's work, organization, manager, or co-workers. Baumruk (2004) straddles the cognitive and emotional approaches by defining engagement as "the state in which individuals are emotionally and intellectually committed."

Finally, a third group focuses primarily on the behavioral outcomes, regardless of the causes. Towers Perrin (2003) (2005), Shaffer (2004), refer to engagement as the employee's willingness to expend discretionary effort on the job. Walker Information (2005) places the emphasis on an employee's commitment to staying with his/her company.

Meta-analysis of Drivers of Employee Engagement

Over the past four years, 12 major research studies have been published that identify organizational factors that drive employee engagement. Reviewing the results of these studies was naturally complicated by the researchers' different operating definitions of employee engagement. Not surprisingly, these studies altogether identified 26 separate factors that determine the degree to which individuals will be engaged. (See Appendix A).

However, while these studies presented a wide array of definitions and drivers, some patterns did emerge across the studies. Eight different factors were identified as drivers for employee engagement by at least four of the studies. They are:

- 1) **Trust and Integrity** – this driver applies to the degree to which the employee feels that members of the management team are concerned about the well-being of their employees, tell the truth, communicate difficult messages well, listen to employees and then follow through with action, and demonstrate the company's expressed goals and values through their own personal behavior. Reichheld (2001), Bates (2004), Baumruk (2004), Corporate Leadership Council (2004), Gubman (2004), Drizin (2005), and Towers Perrin-UK (2005), and Walker Information (2005).
- 2) **Nature of the Job** – this driver refers to the day-to-day content and routine of the employee's job and the degree to which he/she derives emotional and mental stimulation from it. This includes opportunities to participate in decision-making and autonomy. The Conference Board (2003), Towers Perrin (2003), Bates (2004), Gubman (2004), Drizin (2005), and Towers Perrin-UK, and Walker Information (2005).
- 3) **Line-of-Sight Between Individual Performance and Company Performance** – this driver refers to how well the employee understands the company's goals, is aware of its overall performance, and, most importantly, knows how his/her individual contribution impacts this performance. Towers Perrin (2003), Bates (2004), Baumruk (2004), Corporate Leadership Council (2004), Drizin (2005), and Smythe (2005).
- 4) **Career Growth Opportunities** – this is the degree to which an employee feels that there are future opportunities for career growth and promotion

within the company and, to a lesser degree, is aware of a clearly-defined career path. Towers Perrin (2003), Bates (2004), Baumruk (2004), Gubman (2004), and Towers Perrin-UK (2005).

- 5) **Pride About the Company** – this refers to the amount of self esteem that an employee derives from being associated with his/her company. This driver has been linked to behaviors such as recommending the company to prospective customers and employees. Towers Perrin (2003), Bates (2004), The Corporate Leadership Council (2004), Towers Perrin-UK (2005), and Walker Information (2005)
- 6) **Coworkers/Team Members** – this driver recognizes the significance of the influence that an employee’s colleagues have on his/her level of employee engagement. The Conference Board (2003), Towers Perrin (2003), Gubman (2004), Towers Perrin-UK (2005).
- 7) **Employee Development** – as opposed to career growth opportunities, this driver refers to the degree to which an employee feels that specific efforts are being made by their company or manager to develop the employee’s skills. The Conference Board (2003), Baumruk (2004), Towers Perrin-UK (2005), and Walker Information (2005).
- 8) **Personal Relationship with One’s Manager** – this is the degree to which an employee values the relationship that he/she has with his/her direct manager. This does *not* refer to professional or job-related aspects of their relationship. The Conference Board (2003), Bates (2004), Gubman (2004), and Towers Perrin-UK (2005).

While each study focused on some drivers more than others, generally the Corporate Leadership Council (2004) demonstrated that the emotional drivers such as one’s relationship with one’s manager, and pride in one’s work had four times greater impact on discretionary work effort than did the rational drivers, such as pay and benefits. This appears to support the research conducted four decades ago by Frederick Herzberg (1966) in which he showed that “hygiene factors” such as good pay, benefits, and working conditions do not serve to motivate employees, but their absence causes dissatisfaction. Correspondingly, an employee’s sense of achievement, opportunity for advancement, and recognition by one’s manager were shown to be “motivation factors,” which lead to greater satisfaction with one’s overall job experience.

Current State of Employee Engagement

Overall Employee Engagement

Many of the major studies on employee engagement identified an overall percentage of the total workforce that was considered to be engaged. This number serves as a useful benchmark for companies that are looking to assess their own levels of engagement compared to the general business community.

Again, comparing the studies’ overall engagement results is complicated by their use of different definitions of engagement and somewhat different research methods. However, a summary of these studies’ overall results are as follows:

Overall Employee Engagement Levels

<u>Study</u>	<u>Global Workforce</u>	<u>U.S. Workforce</u>
Gopal (Gallup) (2003)	NA	30%
Towers Perrin (2003)	17	21
Baumruk (Hewitt) (2004)	NA	52
Corporate Leadership Council (2004)	11	NA
Crabtree (Gallup) (2004)	NA	29
Blessing White (2005)	NA	21
Drizin (Perf. Assessment Network, Inc.) (2005)	14	46
Towers Perrin (2005)	NA	23

International Employee Engagement

There is a great deal of variance in the percentage of the workforce identified as “engaged” among the major countries of the world. Below is a sampling of those findings:

International Employee Engagement Levels

<u>Country</u>	<u>Gopal (Gallup) (2003)</u>	<u>Towers-UK (2005)</u>
Canada	24%	NA
Germany	12	23
Japan	9	NA
United Kingdom	19	14
France	12	14

The dramatic differences between countries’ levels of employee engagement lead to various questions that are not clarified by the current literature. First, are there public policies or management styles that are unique to specific countries or cultures that would drive employee engagement in different ways, leading to variations in engagement levels across countries? Can one assume that the nature of work and, more specifically, the ways in which people invest their emotions in work are sufficiently universal across all cultures such that the definitions and measurement techniques for employee engagement that have been shown to be successful in North America and Western Europe should be applied the same way in every part of the globe?

Employee Engagement in Large vs. Small Companies

Harris Interactive (2005) revealed that large companies may face greater challenges in engaging their employees than do small companies. They compared the levels of employee engagement at small companies to companies with more than 5,000 employees and found that small companies had an advantage in a number of dimensions. Employees of small companies reported that they were more proud of their companies (57 percent compared to 45 percent), were more satisfied with their everyday work (64 percent versus 54 percent), were less likely to feel that there were no career growth opportunities within their company (24 percent compared to 38 percent), were more likely to feel that their senior managers displayed integrity and morality (48 percent versus 30 percent), and were more likely to agree with the statement “this is the best company to work for” (43 percent compared to 25 percent). These results, combined with a study conducted by Fleming, et al (2005), which found that the distribution of employees with high levels of employee engagement tended to be generally evenly distributed across different locations of the same organization, present a unique challenge to Human Resources and Communications practitioners of large organizations.

Employee Engagement and Job Level

Towers Perrin (2003) discovered that there were differences in the percentage of the workforce that were engaged across levels of companies. Below are the results of their study:

Towers Perrin (2003) Engagement Across Job Levels

Job Level	Percent	Actively Engaged	Actively Disengaged
Senior Executives		53%	4
Directors/Managers		25	10
Supervisors/Foremen		18	15
Specialists/Professionals		16	18
Nonmanagement Salaried		14	20
Nonmanagement Hourly		12	25

Towers Perrin asserts that these results reflect job design. They reason that senior executives have “by definition, the very qualities in their jobs that employees repeatedly tell us matter in engaging them: challenge, authority, autonomy, stimulation, access to information, resources, and growth opportunities.”

However, job design may not be the only factor that explains different degrees of engagement exhibited across levels of organizations. Gubman (2004) asserts that there is a personality characteristic that he refers to as “passion” which, he claims, varies from person to person, is stable and sustainable over time, and, most importantly, serves to “multiply” the performance outcomes of one’s level of engagement. He posits that passion also serves as a catalyst for increasing the engagement levels of one’s co-workers. If “passion” is 1) sustainable, 2) multiplies the effects of engagement on an individual’s performance, and 3) stimulates engagement in others, it makes sense that

“passionate” people would have both the performance and leadership characteristics that would lead them to be promoted through the organization over time.

Therefore, it is reasonable to conclude from these two studies that the differences in levels of engagement across levels of organizations could be a result of both personality characteristics and job design.

Employee Engagement, Tenure, and Age

The Corporate Leadership Council (2004) concluded that “commonly used segmentation techniques based on tenure...do not predict engagement.” However, both the Conference Board (2003) and Baumruk (2004) report that companies experience a “honeymoon” in which new employees’ engagement remains high for the first two years of employment, dips, then rebounds after five years of service.

Research conducted by Walker Information (2005) on the topic of employee retention demonstrated a parallel pattern with tenure, which appears to support Baumruk's findings. Their study revealed that, when asked whether they intended to remain employed with their current employer for at least the next two years, 29 percent of employees with less than one year of service indicated that they intended to stay, compared to 42 percent of those employees who had six or more years of service.

Baumruk explains that the high level of engagement in the early years of an employee's tenure is explained by the novelty of a new job and the learning opportunities it presents. As these wear off, the engagement level drops, and turnover begins to take its toll, leaving a higher proportion of highly engaged employees among those in the higher-tenure ranks.

Age has an ancillary connection to tenure with one’s company. While today’s employees change their jobs, companies, and even careers more frequently than in the past, older employees tend to have been employed by their current company longer than younger ones.

Towers Perrin (2002) found that the drivers for choosing a new job were strikingly similar to those that drive engagement and, more significant to this review, the relative importance of each driver was different for people of different ages. They reported that younger workers (under age 44) indicated that challenging work and learning and development opportunities were highest in importance to them, while older workers (over 44) were more concerned about having their contributions to their company’s performance recognized and rewarded. Further, Harris Interactive (2005) found that 37 percent of workers under age 35 agreed with the statement, “a great deal of my pride comes from my work,” while 59 percent of respondents over age 55 agreed.

These studies together represent evidence that 1) employee engagement may be a factor in driving length of service and 2) the drivers that influence engagement may shift as the employee ages.

Role of the First-line Manager on Employee Engagement

Researchers and writers agree that the role of an employee's direct manager is the key to influencing his/her level of employee engagement. In fact, Buckingham and Coffman (1999) assert that the relationship that an individual has with his/her manager is the *strongest* influencer of his/her engagement. Reichheld (2001) agrees, saying "outstanding loyalty (engagement) is the direct result of the words and deeds – the decisions and practices – of committed managers."

The researchers agree. The Corporate Leadership Council (2001) confirms Buckingham and Coffman's assertion, concluding that the employee-manager relationship is, in fact, the most powerful driver of the employee's engagement. Tross and Egerman (2004) concurred, reporting that employees' views about their relationship with their company were largely the same as their views about their relationship with their immediate manager.

Specifically, a personal (as opposed to professional) relationship with one's direct manager has emerged as one of the key drivers of employee engagement across a handful of studies. Crabtree (2004), for example, reported that 14 percent of highly engaged employees agreed with the statement: "This person and I have one of the strongest personal relationships in my life," when describing their manager. In contrast, only 1 percent of disengaged employees agreed.

In addition to the clear impact of building and sustaining personal relationships with employees, the research also reveals that first-line managers have a clear role in influencing two other drivers of employee engagement as well. In the Towers Perrin (2003) study 63 percent of employees rated their immediate manager as "fair" or "poor" at including them in decisions that affect their job, and therefore adversely affecting the driver of "Content of the Job." Towers Perrin also found that 40 percent of employees felt that their direct managers cared about their individual well-being, while 27 percent felt that senior-level managers were too distant from them to even make an assessment about whether they cared about employees or not. This result highlights the unique role of first-line managers in impacting the "Trust and Integrity" driver.

Bates (2005) believes that the reason that the role of direct managers is increasingly seen as significant in driving engagement is that first-line managers and supervisors reside at the point of contact of the changing relationship between companies and employees. The nature of employment, he explains, has shifted in the post-industrial era from one of "paternalism" to one of "partnership." This partnership replaces the traditional ideas of strictly authoritarian styles of leadership with ones that feature an emotional bond between the manager and employee that includes shared values, goals, mutual caring, and respect. Regardless of the reason, there is a strong consensus, born out in the research, that first-line managers are crucial to driving employee engagement.

Impact of Employee Engagement

There is clear and mounting evidence that employee engagement is strongly correlated to a number of individual, group, and corporate performance outcomes including recruiting, retention, turnover, individual productivity, customer service, customer loyalty, growth in operating margins, increased profit margins, and even revenue growth rates.

Employee Engagement and Performance

There is clear evidence that employee engagement has an impact on performance and productivity levels on individual, team, and organizational levels. These research results demonstrate the clear impact that employee engagement has on performance and, subsequently, the financial success of companies.

On the individual level, The Corporate Leadership Council (2004) revealed that highly engaged employees had overall performance scores 20 percentile points higher than those of employees with average levels of engagement. Further, Bates (2004) studied an insurance sales office and demonstrated that the difference in individual productivity (sales) between employees with low engagement and those who were moderately engaged was virtually insignificant. However, those who were highly engaged outperformed the disengaged employees by 28 percent and those who were moderately engaged by 23 percent.

Employee engagement has also been linked to sales performance on a department or team level. Fleming, et al (2005) examined the behaviors of generally satisfied customers and the impact on their purchasing behaviors by sales departments with varying degrees of employee engagement. First, they differentiated customers by two categories: emotionally engaged satisfied customers, and emotional disengaged satisfied customers. In the initial stage of the study, they determined that emotionally engaged customers represented a 23 percent premium over average sales, while emotionally disengaged customers represented a 13 percent discount. However, when the employee engagement levels were considered, these purchasing behaviors became magnified. When departments with engaged employees sold to emotionally engaged customers, the resulting sales were double those of departments with either disengaged employees or disengaged customers, and 3.4 times higher than when both groups were disengaged.

There have also been a series of studies that examined the correlation between high-performance companies and company-wide employee engagement levels. Towers Perrin (2003) found a significant positive correlation between companies' employee engagement levels and their 1-year growth in total revenues compared to the average growth within their Dow Jones sector. ISR (2003) also revealed that companies with high levels of engagement saw an overall 3.74 percent increase in operating margin and a 2.06 percent increase in net profits over a one-year period, while companies with low employee engagement saw a 2 percent and 1.38 percent drop in these respective

categories. Towers Perrin (Europe) (2005) continued these findings by calculating that a 5 percent increase in total employee engagement correlates to a .7 percent increase in operating margin.

However, the most significant finding related to employee engagement and company performance comes from a study conducted by Hewitt (2004). While all of the preceding studies only showed a correlation between engagement and financial performance, this study revealed that there is likely to be a causal link between them. Over a five-year period Hewitt studied the engagement and various financial indicators of multiple companies and discovered the same correlation of engagement and performance as the other studies. However, since this was a longitudinal study, Hewitt discovered that when employee engagement levels increased, there was a corresponding increase in financial performance indicators that followed. This lead-lag evidence gives credence to the assumption that employee engagement actually causes an increase in a company's overall financial performance.

Employee Engagement and Customer Service

The Conference Board (2003) first revealed the connection between employee engagement and customer service in their study of a high-volume customer service call center. They found that employees' customer service productivity scores and their employee engagement scores had a correlation of .51. Pont (2004) followed up with a study that found that companies with high employee engagement scores had a corresponding level of customer loyalty (repeat purchases, recommendations to friends, etc.) at twice the level of companies with average employee engagement levels.

Bates (2004) examined the link between employee engagement and "customer engagement." Customer engagement parallels the concept of employee engagement in that it describes the mental and emotional connection between customers and companies as well as the customers' subsequent discretionary purchasing behaviors. In his study of a major department store chain Bates found that customers scored higher in customer engagement measures when they were serviced in departments with employees who had high levels of employee engagement. This demonstrated a clear connection between employee engagement and customers' discretionary purchases.

However, the most startling link between employee engagement and customer service was discovered by Oakley (2005). In this study he found that high levels of employee engagement corresponded to increases in customer engagement levels even in cases where there was no direct contact between the employees and the customers. This study leads to the consideration of employee engagement's impact on the quality of product development and manufacturing, and, more generally, on creating a general reputation for the company with which customers connect emotionally.

Employee Engagement and Retention

Beginning in 2003, studies began to demonstrate a direct measurable relationship between employee engagement and the intention of employees to leave their company. Towers Perrin (2003) reported that 66 percent of highly-engaged employees reported that they had no plans to leave their company, while only 3 percent of them were actively looking or had made immediate plans to leave. This compared to 12 percent and 31 percent, respectively, for disengaged employees. Towers Perrin (2005) re-enforced this finding by reporting that 59 percent of engaged employees intended to remain with their employer. Parenthetically, Towers Perrin reasoned that the drop from 2003 to 2005 was due to improvements in the job market.

Studies then began to examine employee engagement and actual turnover behaviors. The Conference Board (2003) initiated this research, identifying a negative .43 correlation between a company's level of employee engagement and their voluntary turnover rate. Pont (2004) followed, finding that companies with high levels of employee engagement had voluntary turnover rates one-half (1/2) that of average employers. The Corporate Leadership Council (2004) also found that highly engaged employees were 87 percent less likely to leave their companies than their disengaged counterparts.

The Corporate Leadership Council (2004) also sought to link turnover to the specific drivers of employee engagement. They found that, while engagement is driven dominantly by emotional factors (as noted above), the decision to leave a company was linked nearly equally to both emotional and rational factors, such as better pay and benefits.

Towers Perrin (Europe) (2005) has contributed to the examination of the connection between engagement and turnover by identifying the key drivers that inspire employees to remain with their company. These drivers are:

1. A manager who is inspirational and enthusiastic,
2. Opportunities to advance one's career in the current company,
3. The reputation of the company as a good employer, and
4. Salary and benefits.

Interestingly, these drivers for retention are generally parallel to the employee engagement drivers of "Personal Relationship with One's Manager," "Career Growth Opportunities," and "Pride About the Company."

Interventions for Supporting Employee Engagement

The impact of employee engagement on organizational performance is clear. Fortunately, there are a number of valuable suggestions for organizations to employ to ensure that their human capital strategies are aligned to support and enhance employee engagement.

Organizational Interventions

Gubman (2004) encourages companies to flatten both their managerial and their decision-making hierarchies. He claims that, by adjusting the organizational structures so that each employee has more autonomy, employees and their first-line managers will have richer job responsibilities that include greater decision-making authority. This will also improve both the vertical and horizontal line-of-sight for employees, which have been shown to help employees understand the impact of their contributions on the overall performance of the company and to develop a greater sense of trust in senior-level managers. Axelrod (2000) supports this concept but cautions that flattened organizations will also be challenged to disseminate information more effectively and to shift change management authority to the local level. Best Practices LLC (2005) also recommends the use of cross-functional teams to improve the coordination of efforts between locations and to improve line-of-sight.

Communications Development Interventions

Bates (2004) makes the point that the best first step in creating a communications strategy that will support employee engagement is to simply ask employees how they feel. He asserts that this principle can be applied to one-on-one relationships to build trust and to foster personal relationships with one's employees. It can also apply to organizations through the use of employee surveys and well-designed communications tools and techniques. However, he cautions that, regardless of the level, the key is to remain consistent, to make communication a regular routine, and to honestly respond to what one hears from employees.

Best Practices LLC (2005) also encourage the use of employee surveys to gather opinions, ideas, and concerns from employees. They cite that 64 percent of high-performing companies report using external employee surveys on a regular basis and that 74 percent of *Industryweek's* Best Plants 2001-2004 use employee surveys at least once per year.

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Talk to Them

How to Engage Employees Through Good Communications

Shaffer (2004) makes a series of recommendations for organizational communications strategies that specifically focus on supporting the drivers of employee engagement. He suggests the following:

- 1) Ensure that communications strategies provide employees with visibility to the effects of their contributions,
 - 2) Support and encourage employee involvement in decision-making,
 - 3) Provide fast and relevant information that will inform decision-making by employees and managers, and
 - 4) Use both extrinsic and intrinsic methods for recognizing employee contributions.
- Towers Perrin (2003) cautions that, when putting together an overall communication strategy, companies should not confuse "information" with "communication." Specifically, this means that communicators should keep in

mind that they must appeal to both the rational and emotional components of a message in order to maximize employee engagement drivers.

Ewing (2005) makes some tactical recommendations for techniques for professional communicators. They include:

- 1) Before crafting employee communication tools, conduct research to identify issues that are relevant to employees and their priorities,
- 2) Include external sources of information in internal communication to improve credibility,
- 3) Encourage as much communication to be delivered by first-line managers as possible,
- 4) Maximize face-to-face opportunities when delivering information from members of the senior management team,
- 5) Be consistent in style and form when delivering messages across different media,
- 6) Use a gatekeeper to ensure consistency of tone and style, and
- 7) Track and report results of employee communications initiatives.

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Managerial Interventions

Researchers and writers agree that supporting employee engagement has clear implications for selecting, developing, and managing first-line managers. Towers Perrin (2003) encourages companies to respond to the changing nature of the employer/employee dynamic by including emotional intelligence (EQ) as a basic competency for local managers. Fleming, et al (2005) suggests that local managers be permitted to monitor, track, and act upon both employee engagement and customer engagement data. They reason that first-line managers have insight into the unique characteristics of local employees and customers and the mix of engagement drivers that are relevant to them. Best Practices LLC (2005) also suggests that employee engagement metrics be included in performance goals and that local managers should be held accountable for maintaining employee engagement standards.

The Conference Board (2003) and Bates (2004) both demonstrated the successful use of action plans to gather and act upon employee feedback. Bates (2004) asserts that the process of regularly polling employees on a local level, creating action plans based on that feedback, and publicly demonstrating the steps taken to achieve the plans' goals will impact employees' perceptions of trust in their manager, the content of their own jobs, and the line-of-sight impact of their contributions.

Finally, Johnson (2004) calls on managers to commit to a set of behavioral principles when personally communicating with employees. They include:

- 1) Keeping promises and actually doing what one says he/she intends to do,
- 2) Engaging in open and honest dialogue with employees at all levels,
- 3) "Telling it like it is" when topics might be difficult or news might be bad,
- 4) "Walking the talk," or ensuring that the everyday behaviors of managers are consistent with the things that he/she says, and

- 5) Committing to rewarding the right people for the right reasons. These suggestions are designed to build trust and create a personal relationship based on mutual respect.

Summary

The review of the literature on employee engagement reveals some key challenges to organizations in managing their relationships with their employees. Large companies need to work harder than smaller ones to make it easier for employees to see the effects of their individual contributions on the overall performance of their company. Organizational leaders are also challenged to provide personal and professional enrichment opportunities that are flexible and relevant to employees who are at different levels of the company, are different ages, and are in different places in their careers. The role of first-line managers in building employee engagement is clear, and this review provides insight for all organizations to include employee engagement as a consideration when creating methods for selecting, developing and rewarding first-line managers.

There are also some interesting research implications that should continue to be studied. For example, the research clearly reflects widely-varying levels of employee engagement between different countries of the world. However, it is not clear whether this research exposes deficiencies in how employees in some countries are managed, or whether the nature of the relationship between culture, emotion, and the role of work is sufficiently complex as to prevent the concept of employee engagement to be easily interpreted from one culture to another. Also, the Oakley study implies that employee engagement has a contagious effect that is not dependent upon direct interpersonal contact. Additional research should be conducted to explore how emotional investment by employees can create an overall organizational culture that draws an emotional attachment by customers.

Josiah Gilbert Holland reflected the sentiment that his time demanded those with “strong minds, great hearts, true faith, and willing hands.” The same is true today. Business leaders understand that one vital key to financial success is to connect with employees in a way that engages their intellect, their emotion, and their willingness to work.

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Employee Engagement Literature Review Appendix B: Annotated Bibliography

Bates, S. (2004). Getting Engaged: Half of Your Workforce May be Just Going Through the Motions, *HR Magazine*, February, pp. 44-51.

- Bates gives an overview of major thinking and recent research on the topic of employee engagement.
- This article provides a discussion of major social trends that affect employee engagement, the impact of engagement on company performance, and suggests some management and communications strategies for encouraging and enhancing employee engagement.
- The tacit definition of employee engagement that the article uses is the emotional connection between the employee and his/her job, his/her manager, and the organization, driven by such factors as the opportunities for personal and professional growth, and trust in senior leaders, a personal relationship with his/her manager, and pride in the reputation of his/her company.

Blessing White (2005). Employee Engagement Report 2005. Research Report. Princeton, NJ.

- This report is the 2005 edition of an annual study conducted Blessing White, Inc. on the topic of employee engagement.
- The study is mostly focused on employee engagement's impact on retention.
- The operational definition of employee engagement that is used in this study is as follows: "Employee engagement represents an alignment of maximum job satisfaction with maximum job contribution." It goes on to indicate that engaged employees "are not just planning to stick around. They are not just happy or proud. They are enthused and 'in gear'."

Baumruk, R. (2004). The Missing Link: The Role of Employee Engagement in Business Success, (report of a Hewitt Associates/Michael Treacy study) *Workspan*, November. pp. 48-53.

- This article reports in the results of an internal research by Hewitt Associates and Michael Treacy which analyzed the role of employee engagement in high-performance companies over a five year period. Their most significant finding was that employee engagement increases preceded overall financial performance measures, strongly implying a causal relationship between engagement and financial achievement.
- The operational definition used by Baumruk, as well as the Hewitt/Treacy study, is "the state in which individuals are emotionally and intellectually committed to the organizations."

Crabtree, S. (2004). Getting personal in the Workplace: Are Negative Relationships Squelching Productivity in Your Company? *Gallup Management Journal*. June 10. <http://gmj.gallup.com/content/default.asp?ci=11956&pg=1>.

Gopal, A. (2003). Disengaged Employees Cost Singapore \$4.9 Billion. *Gallup Management Journal*, October 9.

- Both Crabtree and Gopal are reports from the Gallup Organization's ongoing study of employee engagement.
- Gallup compiles a semi-annual Employee Engagement Index (although no overall global or US-specific reports have been published by Gallup in 2005).
- The index surveys approximately 1000 employees per index report.
- The operating definition that Gallup uses describes engaged employees as those "...who work with passion and feel profound connection to their company."

Conference Board (2003). *Linking People Measures to Strategy*. Research Report R-1342-03-RR. New York, NY.

- This is a general study on the use of human factors metrics in demonstrating the effects of talent on company performance.
- A case study within this report features a study conducted at the Royal Bank of Scotland, which demonstrated the impact of employee engagement on customer service productivity.
- The research also revealed a pattern that demonstrates that engagement is high with new employees, it then drops, then rebounds after five years of service.
- Although there is no clear definition of employee engagement in this case, the authors indicate that they are studying "employee satisfaction and commitment" and "whether employees actively improve business results."

Corporate Leadership Council (2004). *Driving Performance and Retention Through Employee Engagement*. Research Summary. Corporate Executive Board.

- This study surveyed more than 50,000 participants at 59 international organizations.
- The most significant findings of this study were: 1) there is a direct connection between both performance and retention, and 2) that emotional drivers are four times more effective in producing improved performance than are rational drivers.
- The definition of engagement used by this study 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."

Drizin, M. (2005). Let's Get Engaged: Benchmarks Help Employers Drive Results. *Workspan*, April, pp. 46-51.

- This article summarizes the findings of the 2004-2005 National Workforce Engagement Assessment conducted by the Performance Assessment Network, Inc.
- The key finding of this study was that the most significant drivers of engagement are daily satisfaction with one's job, ethics and concern for employees, reputation of the management team, and effectiveness of senior leadership.
- This report did not provide an operational definition of employee engagement but tacitly refers to engagement as a high level of motivation, strongly influenced by relationships with managers, that leads to greater effort on the job.

Gubman, E. (2004). From Engagement to Passion for Work: The Search for the Missing Person. *Human Resources Planning*, September.

- Ed Gubman, Ph.D., author of several books on talent strategies and engagement strategies, uses this article to call for acknowledgement of “passion”, a hard-wired personality characteristic that multiplies the effects of engagement and serves as a contagion for others’ enthusiasm.
- Gubman indicates that, since passion is a personality characteristic and therefore cannot be taught, it should be used for selecting new employees and in promotion decisions.
- Gubman’s definition of employee engagement is “a heightened personal connection with the organization that goes beyond satisfaction.”

Harris Interactive (2005). *Many U.S. Employees Have Negative Attitudes Toward Their Jobs, Employers, and Top Managers*. Internal Report. May.

- This was a rather large survey, including more than 7700 respondents.
- The significant findings of this study were: 1) the clearly higher engagement levels of employees from small companies (under 5000 employees) compared to employees from large ones, and 2) evidence that engagement levels are different between employees in different age groups.
- The tacit definition of employee engagement used by this study was the degree to which an employee genuinely likes their job, their employer, and top management.

ISR (2003). *Engaged Employees Drive the Bottom Line*. Research Summary. Chicago, IL.

- This was a very large study of engagement, encompassing more than 360,000 respondents, representing 41 companies from the 10 countries with the largest economies in the world.
- This study showed clear correlations between companies’ levels of employee engagement and operating margin and net profit margin.
- The researchers indicate that previous research that defined engagement in terms of affective (emotional) and behavioral factors failed to recognize an additional cognitive (thinking) dimension to the employee engagement model that accounts for the degree to which an employee understands and agrees with the goals and values of the organization.

Oakley, J. (2005). *The Road to an Engaged Workforce*. Internal Research. Forum for People Management and Measurement. Evanston, IL.

- This study focuses on the impact of the overall organizational culture on employee engagement and, subsequently, on engagement’s effects on customer opinions.
- The significant finding of this study is that customer engagement levels corresponded with employee engagement levels, even in cases where employees had no direct contact with customers.
- Employee engagement was operationalized for this study as the interaction of three factors: 1) Inspiration – “the extent to which forces within and on organizational members lead them to behave in ways consistent with organizational goal attainment,” 2) Personal Involvement – “the extent to which people...actively participate in...helping it (the organization) to achieve its mission,” and 3) Supportiveness – “the extent to which managers are personally supportive and considerate of their direct reports.”

Reichheld, F. (2001). *Lead for Loyalty*. *Harvard Business Review*. July-Aug. pp. 76-84.

- This column identifies six major principles for creating high levels of loyalty among employees. These principles include: 1) Preach what you practice, 2) Play to win-win, 3) Be picky, 4) Keep it simple, 5) Reward the right results, and 6) Listen hard, talk straight.
- While this article is focused on employee engagement's ancillary topic of employee loyalty, Reichheld explores the behaviors that managers can exhibit to build trust and integrity with their employees, which has been shown to be significant driver of engagement.

Smythe, J. (2005). The Democratization of Strategy and Change: Headlines From a Recent Study into Employee Engagement. *Communication World*, March-April, pp. 32-35.

- This column consists of a report on a series of interviews with business leaders about employee engagement and how they view how engagement influences organizational change efforts.
- The article posits that employees experience greater levels of engagement when they have an emotional stake in the outcomes of the organization.
- The definition of employee engagement used by Smythe is "a social process, considered or accidental, by which leaders and employees become personally impacted by the performance of their own team in the context of contributing of wider organizational change, strategy, transformation, operational improvement, or day-to-day performance."

Towers Perrin (2003). *The 2003 Towers Perrin Talent Report: Working Today: Understanding What Drives Employee Engagement*. Research Report. Stamford, CT.

- Towers Perrin's study on engagement was very large, including more than 35,000 respondents in the United States.
- The study identified five primary drivers of employee engagement. These are (in descending order of importance): 1) perception that senior management has a sincere interest in employees' well-being, 2) company provides challenging work, 3) employees have appropriate decision-making authority, 4) company cares about customer satisfaction, and 5) employees have excellent career opportunities.
- The definition of employee engagement used by this study is "the extent to which employees put discretionary effort into their work, in the form of extra time, brainpower, and energy."

Towers Perrin (2005). *Towers Perrin 2004 European Talent Survey: Reconnecting with Employees: Attracting, Retaining, and Engaging Your Workforce*. Research Report. London, UK.

- This is a study conducted by Towers Perrin's London team, focusing on attraction, retention, engagement of talent. This study included more than 5000 employees.
- The most significant finding of the study was the clear connection between employee engagement and operating margin. They equate a 5% increase in employee engagement to affecting a .7% increase in operating margin.
- The general definition of employee engagement used for this study is "the skill to deliver more and the will (both emotional and rational) to do so."

Walker Information, Inc. (2005). *The Walker Loyalty Report for Loyalty in the Workplace*. Research Summary.

- This study is an ongoing study on employee loyalty rather than engagement. However, it does look at retention, which is one of the organizational outcomes of employee engagement demonstrated in other studies.

The Conference Board
Employee Engagement Literature Review
Appendix C: Full Bibliography

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