Culture Amp

Engagement and Performance by the numbers

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What is employee engagement?

Culture Amp defines employee engagement as the levels of enthusiasm and connection employees have with their organization. It’s a measure of how motivated people are to put in extra effort for their organization and a sign of how committed they are to staying there.

Employee engagement influences performance

Individual performance is a function of ability, environmental supports and obstacles, and willingness to do a task.

Since engagement includes motivation as a key component, it has numerous measurable relationships with employee, team, and organizational performance.[1]

This relationship can be expressed as an equation that looks like:

Job performance =
Ability + Environment + Motivation

Engagement helps your people perform better

Compared to less engaged colleagues, engaged employees:

34%
higher on customer satisfaction metrics [2]

43%
more revenue brought in [3]

57%
more likely to do work in excess of job requirements to achieve their goals [4]

20%
fewer accidents on the job [5]

27%
less physical absenteeism [6]

5x
less likely to turnover [7]

As a result of these behavioral differences, engaged employees have been found to perform, on average, 15%-20% better than disengaged employees.[8]

Engagement helps your teams perform better

People often think of team performance as the sum of each individual employee's performance.

In reality, team performance includes gains from collaborative efficiencies (benefits of working together) and costs from interpersonal friction (challenges in communication and coordination).

This relationship can be expressed as an equation that looks like:

Job performance =
(Σ(Ability + Environment + Motivation))
+ Efficiencies – Friction

Culture Amp data illustrates some of the efficiencies gained and frictions avoided with higher engagement. Compared to their disengaged peers, more engaged employees agree that they experience better:

1. **Communication among teams and departments**
   - Departments collaborate well to get the job done (26 points higher)
   - There is honest two-way communication at the company (36 points higher)
2. **Team cohesion**
   - Feel like part of a team (21 points higher)
   - Team holds itself accountable for results (22 points higher)

Perhaps the most important insight into engagement and team outcomes are the studies showing that mindsets like (dis)engagement and burnout are contagious. Engaged employees tend to focus their attention on mission attainment, strategic direction, and organizational outcomes and encourage their teammates to do the same. By contrast, disengaged employees focus their attention on sharing their unhappiness and distrust of management with coworkers, thereby depleting the energy of their peers.[9] As teams accumulate disengaged employees, they may see disengaged employees do more to degrade the effectiveness of their peers than vice versa.

How engagement makes businesses perform better

Across an organization, all those individual benefits and avoided costs add up to big numbers. For example, researchers estimate that disengaged employees cost organizations $86.5 million per year due to absenteeism-related losses in productivity.[10]

Overall, researchers have estimated that disengaged employees cost the world economy billions in lost productivity.

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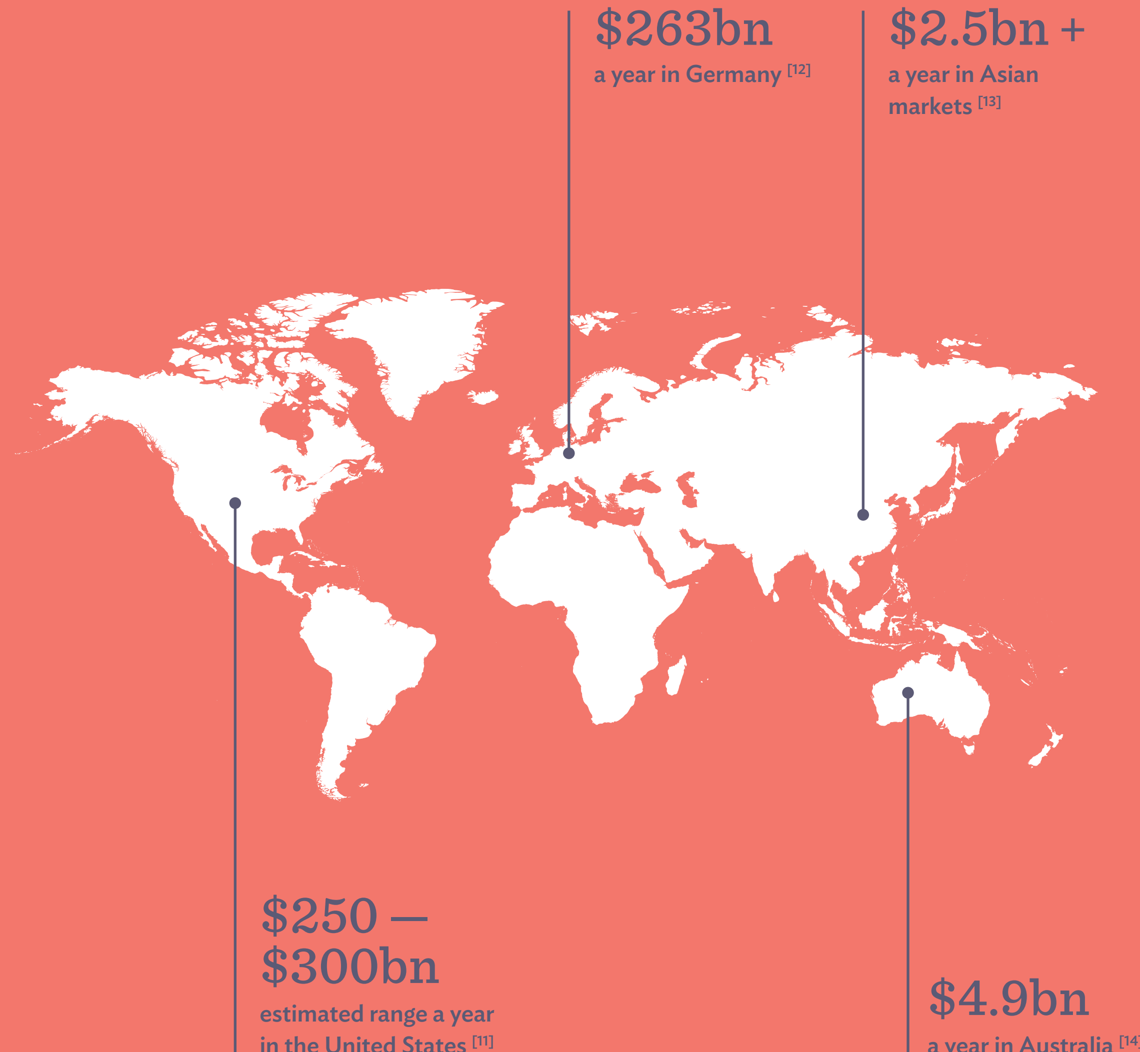
Disengaged employees cost the world economy billions in lost productivity



On the other hand, managing engagement has provided significant financial and productivity returns for other organizations:

- At Autotrader, investments in employee engagement at all stages of the employee lifecycle have reduced turnover by 43% in their developer community and resulted in savings of £486,000 in lowered recruitment costs.[15]
- A Culture Amp and Zendesk partnership found that companies with engagement scores above the Culture Amp benchmark, average 10% higher in customer satisfaction and 3x faster for customer service times than companies below the benchmark.[16]
- The financial services giant *Standard Chartered* found that branches where employee engagement was high exhibited 16 percent higher profit margin growth than branches where employee engagement was low.[17]
- Construction equipment maker *Caterpillar* credits employee engagement with a $2 million increase in profit and a 34% increase in highly satisfied customers at one plant. In addition, they believe engagement helped save $8.8 million annually from lower attrition, absenteeism, and overtime at another plant. [18]
- At *Molson Coors*, engagement efforts were credited with decreasing the frequency and severity of safety incidents, saving $1.7 million in safety costs during 2002 alone. [19]

Which comes first...?

While some may argue that engagement stems from these positive business outcomes, a groundbreaking, four-year longitudinal study, using 755 retail bank employees demonstrated that engagement does more to boost business results than the other way around. [20]

Why is engagement essential for effective leadership transitions and M&As?

Leadership transitions are a sensitive time for an organization. When managed well, a team with a transitioned leader is 90% likely to meet their three year goals, have 13% lower attrition, 2% higher levels of discretionary effort, and generate 5% more revenue and profit than average. On the other hand, when those transitions go poorly team members are 20% more likely to be disengaged and their performance drops an average of 15% lower than with other high-performing leaders.[21]

The dangers of a poor leadership transition are amplified for organizations focused on merger and acquisition strategies. In most cases *"the real expertise about innovative products, services or processes still tends to be carried around by employees in their heads."* [22] Turnover is therefore a major issue for such organizations especially turnover associated with changes in leadership and organizational process.

On average, about a quarter of the executives in acquired top management teams leave within the first year, a departure rate about three times higher than in comparable companies that haven't been acquired. High executive turnover rates continue for an average of nine years after the acquisition with even newly joined executives leaving at a much higher rate than their peers at non-acquired companies.[23]

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more revenue and profit generated than average

90%
likely to meet their three year goals

13%
lower attrition

2%
higher levels of discretionary effort

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In turn, other research shows that an average of 25% of top performing employees leave within 90 days of a major change event such as a merger or acquisition.[24]

Losing a quarter of that knowledge and foresight is devastating to an organization's productivity, having a significant impact on deal performance.[25] The inability to keep essential talent engaged during and after the transition process is a contributor to stats showing that about 60-70% of M&As fail to realize their intended goals.[26]

Many of the reasons why people leave during an M&A are cultural issues like poor communications,[27] feelings of inequity between organizations,[28] and uncertainty about future roles[29] that are commonly measured in engagement surveys. In addition, these surveys often include questions asking about effective organizational processes and provide insights into ways to improve them through comments. Other research shows that organizational issues like cultural differences and changed operating models account, on average, for almost 50 percent of the failure of mergers to meet expectations.[30]

Why aren't profitable engagement strategies standard practice?

The data is very clear: investments in employee engagement foster greater performance, savings, and profits. What holds companies back from having robust engagement strategies to boost performance?

Unlike the variables of ability and environment which can be fostered with high-quality recruitment and training programs and large budgets, motivation (a key component of engagement) can't be trained or bought. It needs to be fostered through employee experiences: moments that matter create the emotional ties that produce engagement and increased profits.

Keeping track of these moments and their effects on employees used to be difficult because completing pen and paper surveys and the complex math to analyze them was time-consuming and required a team of consultants. Getting this work done was often too expensive for all but the largest organizations. In addition, many leaders and managers lacked clear guidance on how to respond to the data. This is why past studies show as many as 79% of managers either ignored or failed to take any action on results presented by consultants, and only 25% of employees even expected a response.[31] As a result, many leaders and managers put their energies into other aspects of their organizations, leaving millions on the table for lack of a scalable way to measure employee experience.

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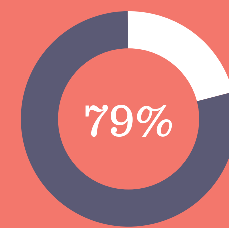

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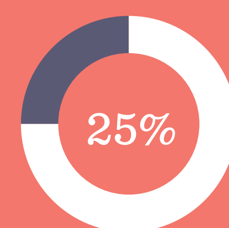

of employees even expected a response

How to get started measuring and improving engagement with Culture Amp

Now that online surveys and automated analytics provide easy-to-understand, real-time data and response techniques, the option to invest in engagement strategies is available to organizations of any size.
The simplest and most accurate way to understand and measure employee engagement is by using an online employee engagement survey based on solid research and science. A good survey will ask a mix of questions that both measure engagement and the factors that drive it up or down in your organization (drivers).

The instrument should then provide clear guides on how to interpret results, an automated approach to identifying the most impactful drivers of engagement, and what you can do to improve low scores at both the organizational and individual manager levels. Finally, it should provide an easy way for users to track progress over time and show measurable results.

Contact Culture Amp today to get started.

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Some survey best practices include:

- Improve benchmarking and progress tracking by sticking with standardized questions where possible
- Discover unique insights by using original questions only where necessary
- Keep participation high by :
    - Limiting questions to topics you are committed to improving
    - Being upfront and clear with your privacy rules (i.e. identified, confidential, or anonymous)
    - Using tools with multiple delivery methods (i.e. Mobile, Computer)
    - Having clear executive and manager level plans for communicating survey results, actions taken, and outcomes achieved as a result of the survey
- Draft reports before running the survey to identify all the demographics you will need to examine (i.e. locations, job level, function, gender, race/ethnicity)
- Win leadership buy-in by connecting survey results to executive priorities and decisions that can be informed by survey data
- Sustain your progress by using annual baseline surveys to identify opportunities and regular pulses to measure progress on and fine-tune interventions
- Embed employee experience into your business strategy and results forecasts to hold leaders accountable for improvement

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