

BLESSINGWHITE

Employee Engagement Global Study 2010

Australia & NZ Report

The findings from the BlessingWhite 2010 Global Employee Engagement Study have significant implications in terms of recruiting, developing, deploying and retaining talented people. Human resource professionals have a critical role in raising awareness of the need for high levels of engagement and helping senior leaders develop a climate for high engagement, and strategies for addressing disengagement. This report gives the latest data on employee engagement levels in Australia & New Zealand and also suggests some strategies for HR professionals that will help individuals, managers and senior executives raise the level of employee engagement in organisations.

Why is Employee Engagement Important?

BUSINESS RESULTS

Towers Watson (ISR) found that high-engagement firms experienced an EPS (earnings-per-share) growth rate of 28% compared to an 11.2% decline for low engagement firms.

EPS (EARNING PER SHARE) GROWTH RATE

Hewitt's Best Employers in Asia research found that "organisations with high engagement are 78% more productive than those organisations with low levels of engagement."

Conversely, Gallup's estimates on the cost of lost productivity caused by disengaged employees are truly alarming (as much as \$300 billion in US, \$32 billion AU in Australia, \$4 billion AU in New Zealand and \$3 billion SGD in Singapore).

SALES

North American electronics retailer Best Buy reports that stores which increase employee engagement by a 10th of a point (on a 5-point scale) will see a \$100,000 increase in sales for the year. Retailer JCPenney reports that stores with top-quartile engagement scores generate about 10% more in sales per square foot than average.

CUSTOMER SATISFACTION

In a recent publication by The Australian Financial Review (AFR) on Commonwealth Bank's CEO Ralph Norris, the success to increased customer satisfaction in just four years resides on cultivating engaged employees. The results of engaged employees have also attracted wealthier investors.

Norris's first step as CEO was to implement culture change that appreciates the need for strong culture in trust and team spirit, and of course customer service. He quotes "My experience is that the critical factor is to get your people engaged, get them involved in the organisation and once you get the trust of your people you get the chance to show your customers. So that meant better systems and our people had to see that I was serious"

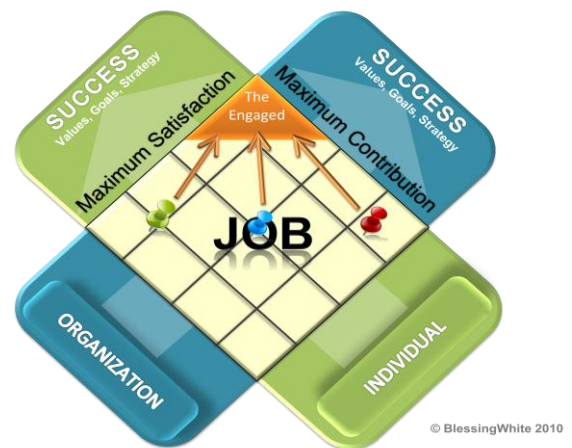
Norris also led actively by recognising and awarding achievements, and implementing a mentoring system – all factors correlating with high engagement. *(see factors page 12 below)*

The Engagement Equation

The term *employee engagement* means different things to different organisations. Some equate it with job satisfaction, which unfortunately can reflect a transactional relationship that is only as good as the organisation's last round of perks or bonuses. Others measure engagement by gauging employees' emotional commitment to their organisation. Although commitment is an important ingredient, it is only a piece of the engagement equation.

While organisations are keen to maximise the contribution of each individual toward corporate imperatives and metrics, individual employees need to find purpose and satisfaction in their work. Consequently, BlessingWhite's engagement model focuses on an individual's:

- **Contribution to the company's success**
- **Personal satisfaction in the role**



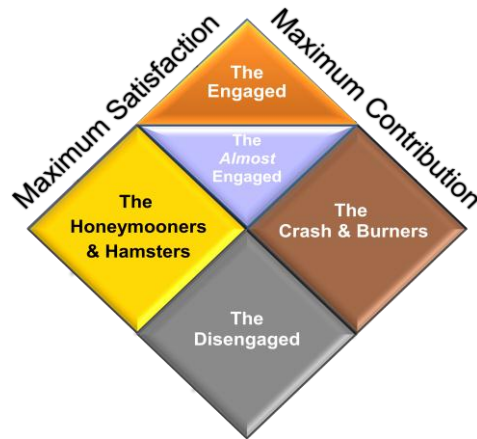
We believe that aligning employees' values, goals, and aspirations with those of the organisation is the best method for achieving the sustainable employee engagement required for an organisation to reach its goals.

Full **Engagement** represents an alignment of **maximum job satisfaction** ("I like my work and do it well") with **maximum job contribution** ("I help achieve the goals of my organisation").

Engaged employees are not just committed. They are not just passionate or proud. They have a line-of-sight on their own future and on the organisation's mission and goals. They are **enthused and in gear**, using their talents and discretionary effort to make a difference in their employer's quest for sustainable success.

Five Levels of Employee Engagement

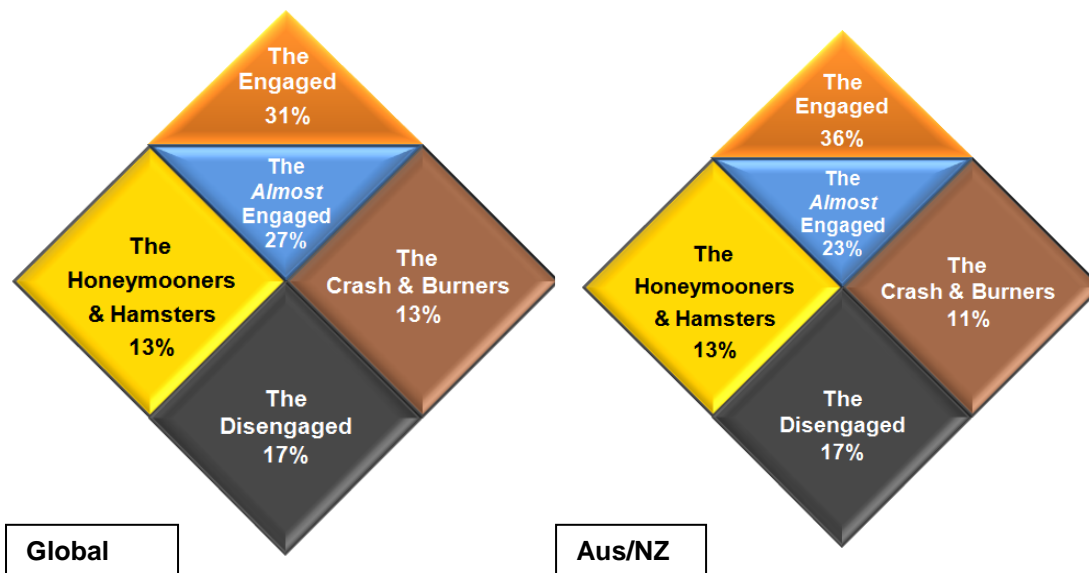
The index we use to determine engagement levels contains items that reflect the two axes of contribution and satisfaction. By plotting a given population against the two axes, we identify 5 distinct employee segments:



	Level	Description
	Engaged: High contribution & high satisfaction	These employees are at ‘the apex’ where personal and organisational interests align. They contribute fully to the success of the organisation and find great satisfaction in their work. They are known for their discretionary effort and commitment. When recruiters call, they cordially cut the conversation short. Organisations need to keep them engaged, because they can transition over time to any of the three adjacent segments.
	Almost Engaged: Medium to high contribution & satisfaction	A critical group, these employees are among the high performers and are reasonably satisfied with their job. They may not have consistent ‘great days at work,’ but they know what those days look like. Organisations should invest in them for two reasons: They are highly employable, and more likely to be lured to greener pastures; they have the shortest distance to travel to reach full engagement, promising the biggest payoff.
	Honeymooners & Hamsters: Medium to high satisfaction but low contribution	Honeymooners are new to the organisation or their role – and happy to be there. They have yet to find their stride and or clearly understand how they can best contribute. It should be a priority to move them out of this temporary holding area to full alignment and productivity. Hamsters may be working hard, but are in effect ‘spinning their wheels,’ working on non-essential tasks, contributing little to the success of the organisation. Some may even be hiding out, content with their position (‘retired in place’). If organisations don’t deal with them, other employees may grow resentful, or have to pick up the slack.
	Crash & Burners: Medium to high contribution but low satisfaction	Disillusioned and potentially exhausted, these employees are top producers who aren’t achieving their personal definition of success and satisfaction. They can be bitterly vocal that senior leaders are making bad decisions or that colleagues are not pulling their weight. If left alone, they are likely to slip down the contribution scale to become Disengaged. Or they may leave.
	Disengaged: Low to medium contribution and satisfaction	Most Disengaged employees didn’t start out as bad apples. They still may not be. They <i>are</i> the most disconnected from organisational priorities, often feel underutilised, and are clearly not getting what they need from work. They’re likely to be sceptical, and can indulge in contagious negativity. If left alone, the Disengaged are likely to be a financial drain on the organisation. If they can’t be coached or aligned to higher levels of engagement, their exit benefits everyone, including them.

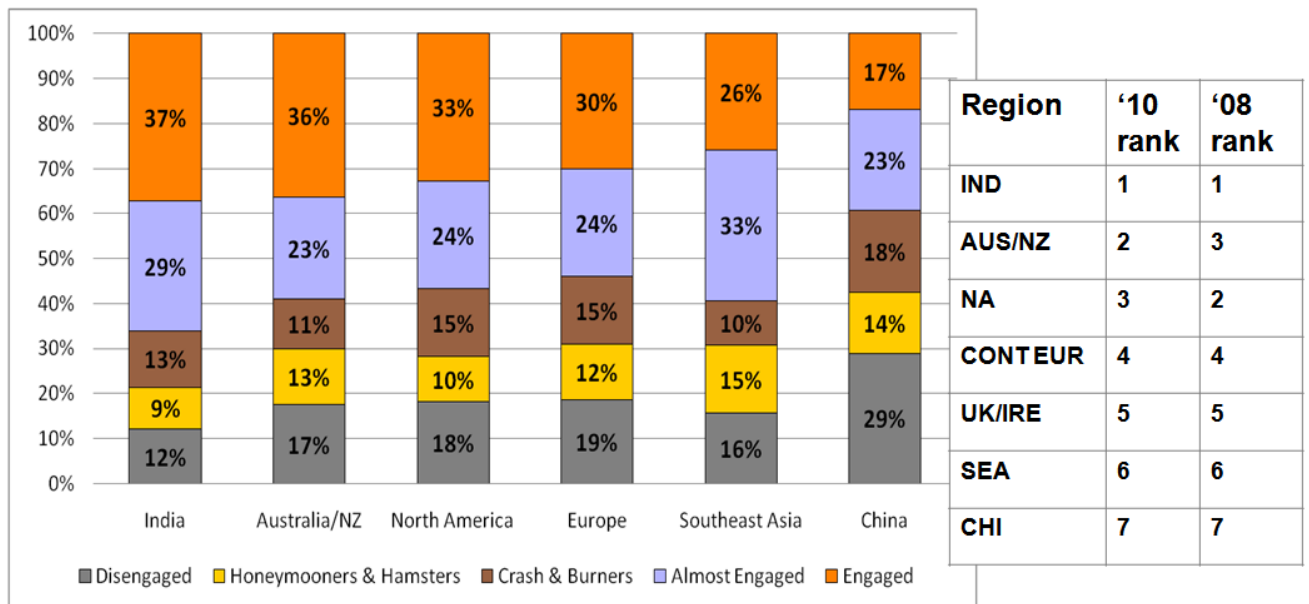
Key Survey Findings

- 31% of global respondents were Engaged – “Enthusied & In Gear”
- 37% in Australia Engaged – among the highest in the world
- 17% in China are Engaged – Up from 10% in 2008
- 78% of engaged employees plan to stay
- 46% of disengaged plan to leave
- **Opportunity to do what they do well at is the highest determinant of Engagement**
- **Managers play a critical role in employee engagement**



With more than a third (36%) of employees Engaged, the Australian workforce is the second highest Engagement rate after India. This result is skewed to the higher side by the high number of AIM Queensland respondents who have an extraordinary engagement rate of 43%. This is due to so many members being in senior roles or self employed. (They would of course claim that it is because they are Queenslanders! Pity we do not have results from other AIM states.) The more accurate employee engagement rate in Australia is more around the 33% mark.

A Global Perspective



2010 Data N=10,914

It is significant that the **Engagement rate in China has risen from 10% to 17% in 2 years.** This is not an accident. In Time's Oct 18, 2010 edition Chinese Premier Wen makes it clear that having dominated global manufacturing, their focus is now on the higher skilled areas so they develop human capital. While we have cut funding to our universities, they have poured money into the sector - tripling the proportion of GDP devoted to it over the past few years. And it is working: (Figures from Time, Jan.31, 2011)

- **Along with South Korea and Singapore, Shanghai students outperformed the world in reading and maths.**
- **From 1997 to 2007 China student enrolments went from 1 to 5.5 million**
- **China publishes more science and engineering papers than any other country**
- **In 10 years the % increase in researchers has been 111% (Compared to 8% in US)**
- **The average trade balance as % of GDP is 7% (Compared to -6% in US)**
- **In 2010 China became the world's second biggest economy**

This is one of the advantages of having a government with a strategic vision of 20 years in contrast to ours with its 3 year re-election campaign. There are of course risks attached to this.

Consistent with the 2008 BlessingWhite Global Engagement Study, India at 37% had the highest engagement. and lowest disengagement rates in the world. The Engagement rates demonstrate that if you currently want a workforce that that needs discretionary effort and thinking, you build your business in India. (China dominates process performance, but is closing the gap on the thinking and creative side of human capital and it is experiencing a high rise in the rate of employee engagement.)

If Australian companies are to compete with China and India, we need to shake ourselves out of our complacency and work smarter. Our leaders need to shake us out of our complacency and sense of entitlement. HR leaders need to alert the government and private enterprise to the reality that organisations with engaged employees achieve more.

Analysing the Data

Similarities and Differences

Age:

Engagement levels in Australia/NZ do not vary much across gender or workplace structure (i.e., virtual, decentralized, or on-site teams). Variations are most noticeable across generations, organization size, role/level, and function.

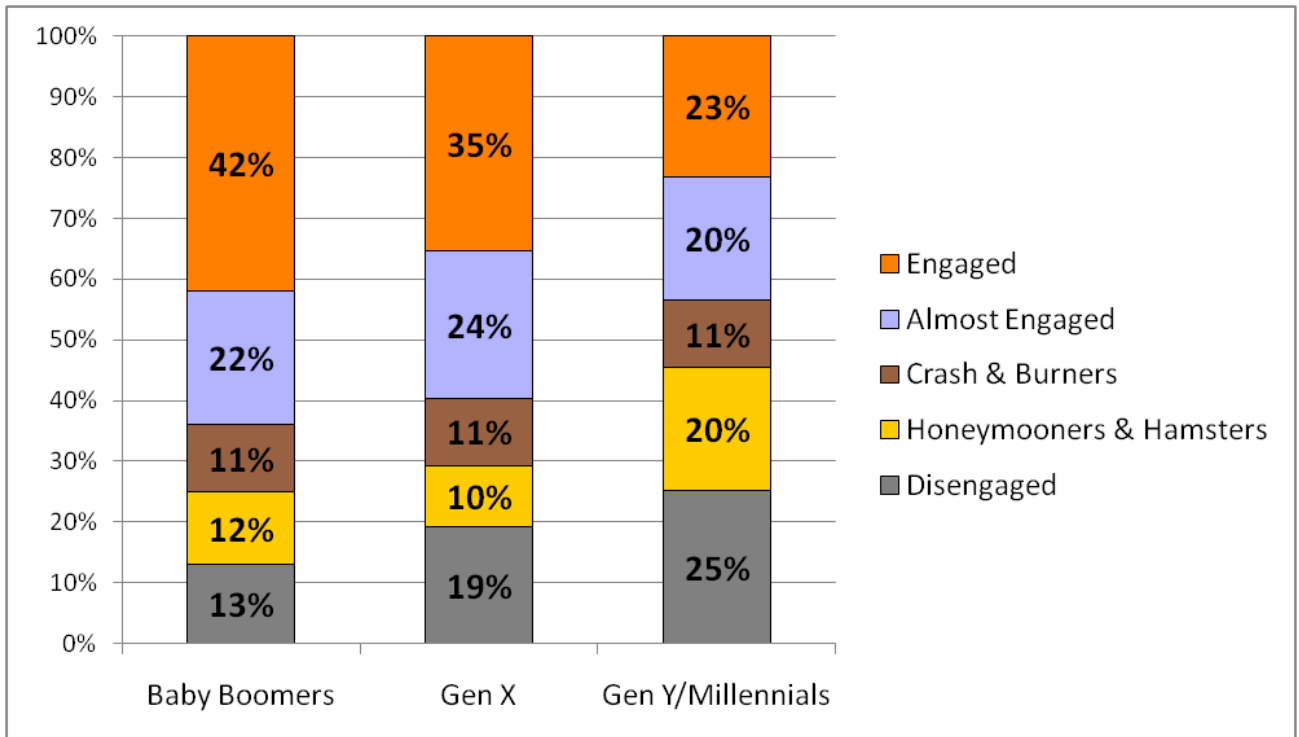
Older people tend to know what they want and what they are good at. Younger people, despite knowing everything else, are not so clear..... (This is however natural, it is healthy to have an open mind and try different things when one is young and one's judgment is still developing. Come to think of it, it is a pity some older people have lost their openness to new ideas. Every position is a two edged sword.)

In line with the global pattern, executives are more than twice as engaged as individual contributors. **Simply put, it is more fun at the top or an organisation.** At 25%

Disengagement, younger employees in Australia are the least Engaged. Low structure, little discipline, computer games, marijuana and alcohol should fix that – not.

This is also a group that can be the most passionate when engaged. It is a matter of harvesting that young energy with something that appeals to them and which suits the organisation's needs as well.

Engagement in Australia/NZ by Generation



Profession:

A bit off the global pattern, Sales at 27% has the lowest percentage of Engaged employees in Australia.

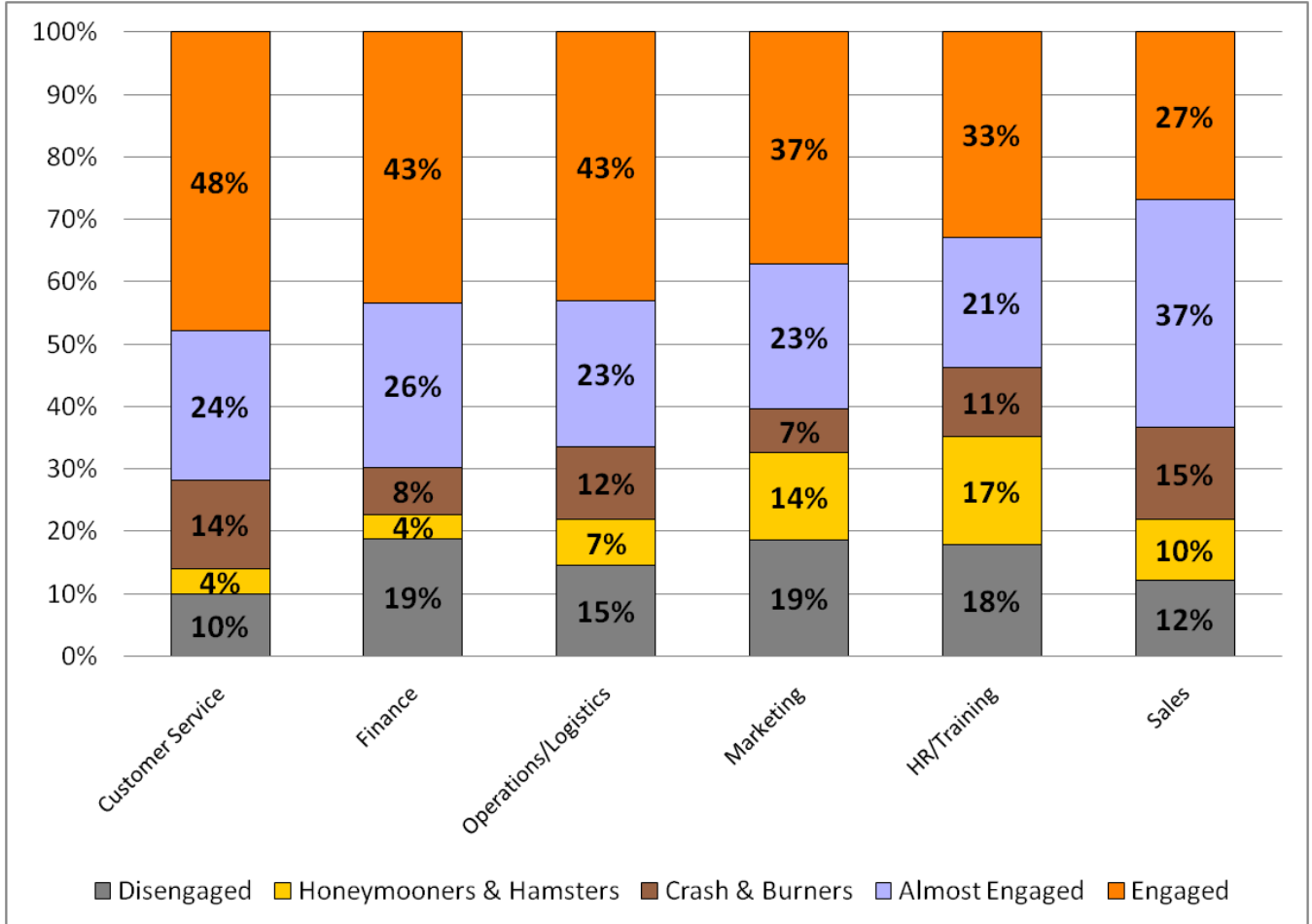
At 33% HR/Training are not as high as one would expect.

At 48% Customer Service are the most Engaged.

At 18% IT has one of the worst Disengagement rates.

Young IT people are among the most disgruntled people in the workforce. Yet they have the access to the most sensitive information. Add into the mix under-developed judgment with few assets to lose in litigation, and you have a recipe for someone to inflict damage on an unappreciative employer. In addition, they can gain celebrity status through the leak. It would seem prudent to address this dangerous mix of factors by enhancing Engagement.

Engagement in Australia/NZ by Department/Function



Industry:

At 58% Association or Not-for-Profit organizations have the highest engagement rates. Yes, the ones that pay the least, but who help others find it a satisfying experience.

At 44% the Banking/Financial Services are also, one may say, laughing all the way to the bank.

Coming in last? Construction/Engineering and Academia/Higher Education, both with 26% Engaged, are the least enthused and in gear sectors.

Size:

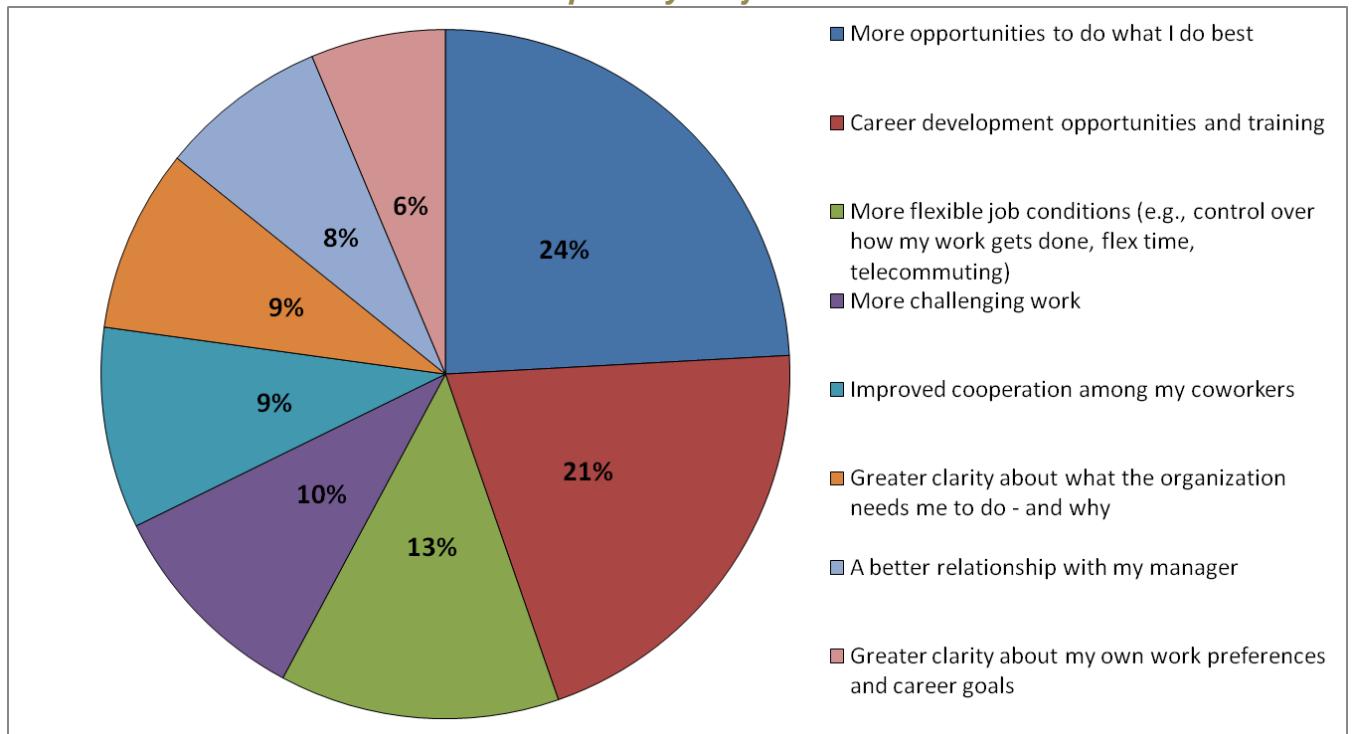
Employees working at smaller companies are the most likely to be Engaged (40%). This is probably due to the fact that they are more aware of and identify with the organisation’s reason for existence. They know the leaders and owners; they can see their impact on the success of the business.

Engagement Drivers

What Increases Employee Satisfaction?

In Australia/NZ, as in Europe and North America, the top factor identified by respondents as influencing job satisfaction is **‘more opportunities to do what I do best.’** A quarter (24%) of Australian/NZ respondents selected it. ‘Career development opportunities and training’ ranks second (21%) followed by ‘More flexible job conditions’ (13%) is a distant third. These top responses were pretty much consistent across engagement levels, generations, department, and role.

“ Choose the item that would most improve your job satisfaction”.



HR Professionals need to assist leaders to see the importance of ensuring that employees gain job satisfaction. This can largely be achieved through deployment: knowing individuals and trying to structure a win-win role that gives them the satisfaction that comes from doing what you are good at and enjoy.

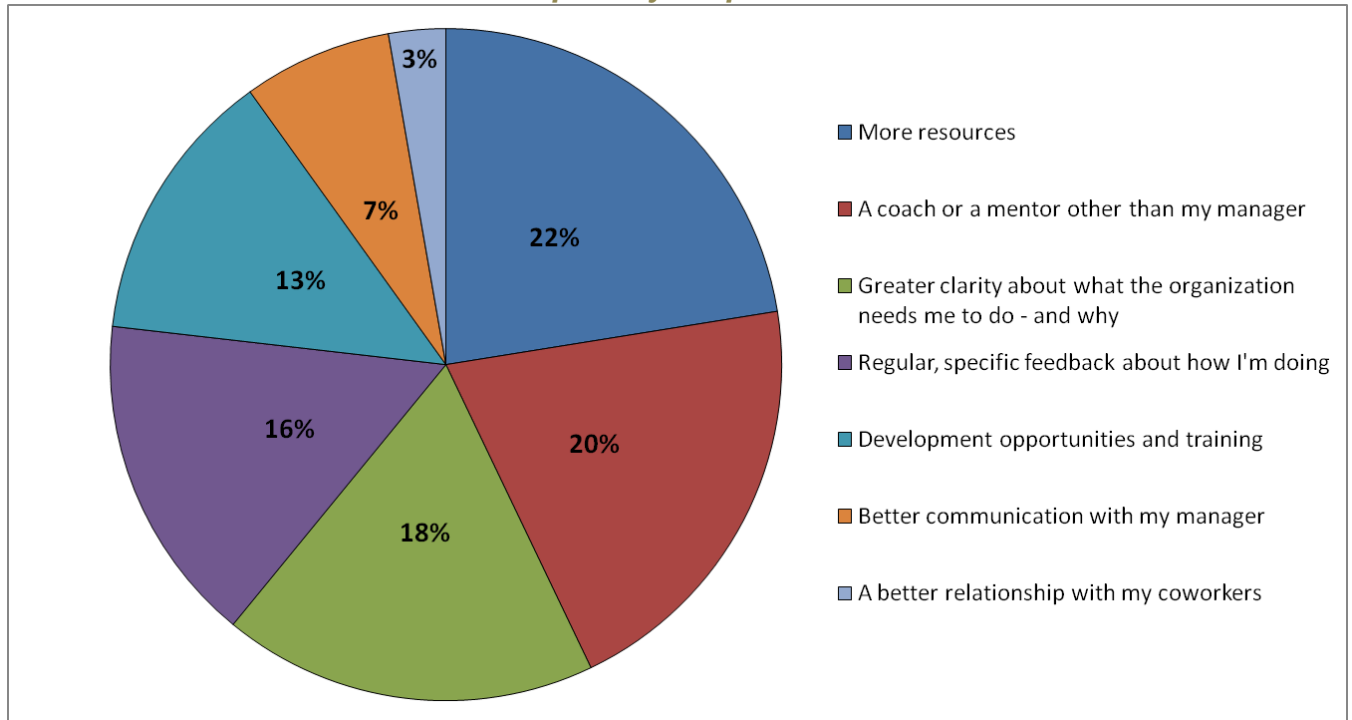
Training and learning professionals have the responsibility of increasing the range of skills people have so that more opportunities are open to them and so that they can enjoy their current roles more because they have been developed to a high point of competence.

Senior executives have the responsibility of creating a climate for this to be the normal way things happen.

What Increases Employee Contribution?

‘**More resources**’ was selected by 22% of Australian/NZ respondents as the most important factor for increasing their contribution on the job. This response, again, was similar to that of employees in Europe and North America. ‘A coach or a mentor other than my manager’ came in a close second with 20%.

Choose the item that would most improve your performance.



Respondents’ answers about contribution varied, however, across engagement level, age, department, and industry. For example, the low-contributing Honeymooners & Hamsters, and Disengaged workers identified ‘greater clarity about what the organization wants me to do and why’ as the factor that could most improve their performance in contrast to the higher performers (the Engaged, Almost Engaged and Crash & Burners) who selected ‘more resources’. Younger workers opted for ‘development opportunities and training’ more often than their older colleagues.

In terms of making this data actionable: It is not always easy to provide more resources, but if one thinks in terms of “Return on Investment” in contrast to “Cost Control” the issue is simpler. Most small business people know this. The question is not so much “How much does it cost?” It is more, “What return will we get and at what risk?”

What is readily actionable is telling people what you expect from them and coaching them to achieve this. HR professionals have a key role in helping establish and maintain performance management systems. They also have a role in helping managers establish a coaching culture which can be informal and inexpensive.

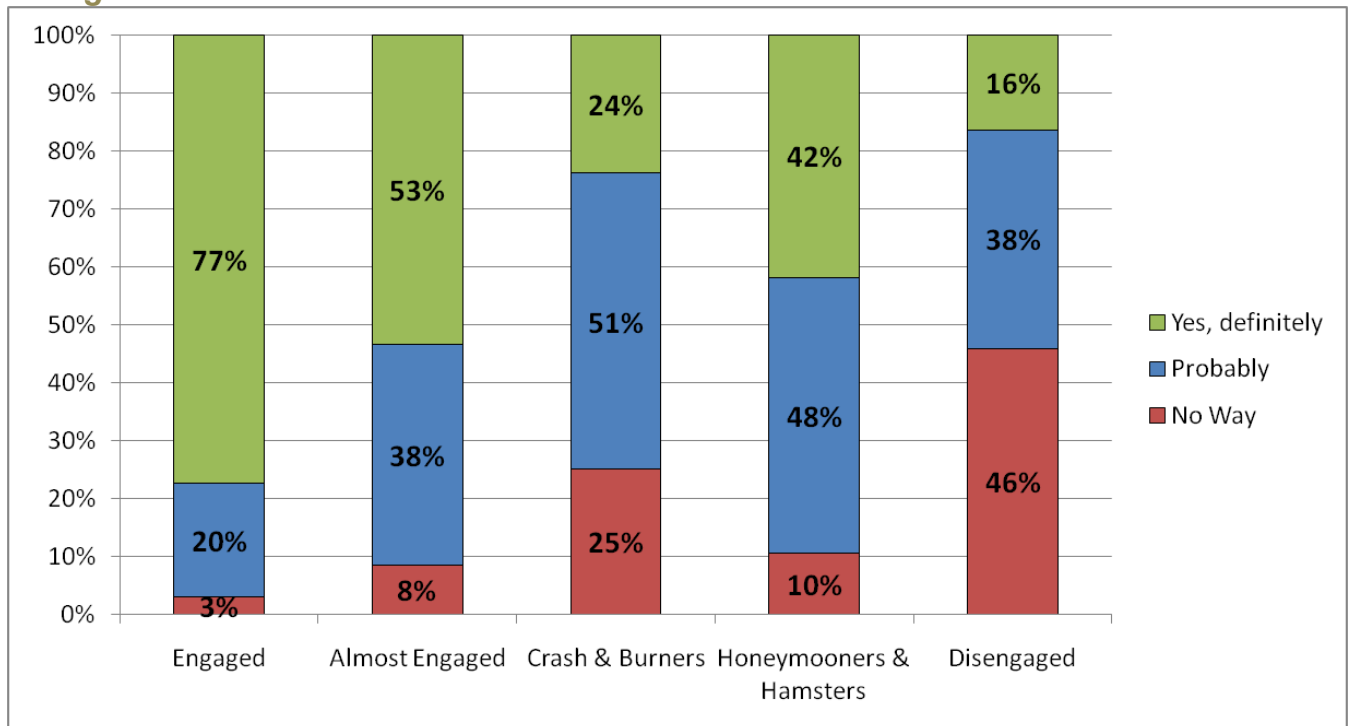
HRD professionals can help by training managers how to coach – a practice that most Australians value receiving.

Retention

More than half (51%) of Australian/NZ employees indicate that they **will stay** with their organization through the next 12 months if given the chance. The number of Australian/NZ employees determined to leave has increased from 11% to 15% since 2008. Not surprisingly, there is a positive correlation between engagement and intent to stay, with **77% of Engaged employees indicating that they plan to stay.**

Intent to Stay

“Assuming you have a choice, do you plan to remain with your organization through the next 12 months?”



It is still a concern that 20% of Engaged employees are ambivalent about their long-term commitment to the organization they work for. If the economy continues to improve and organizations become more optimistic, the “Almost Engaged” will be a happy hunting ground for search firms – these people are high performers, and almost satisfied in their current roles.

Reasons to leave

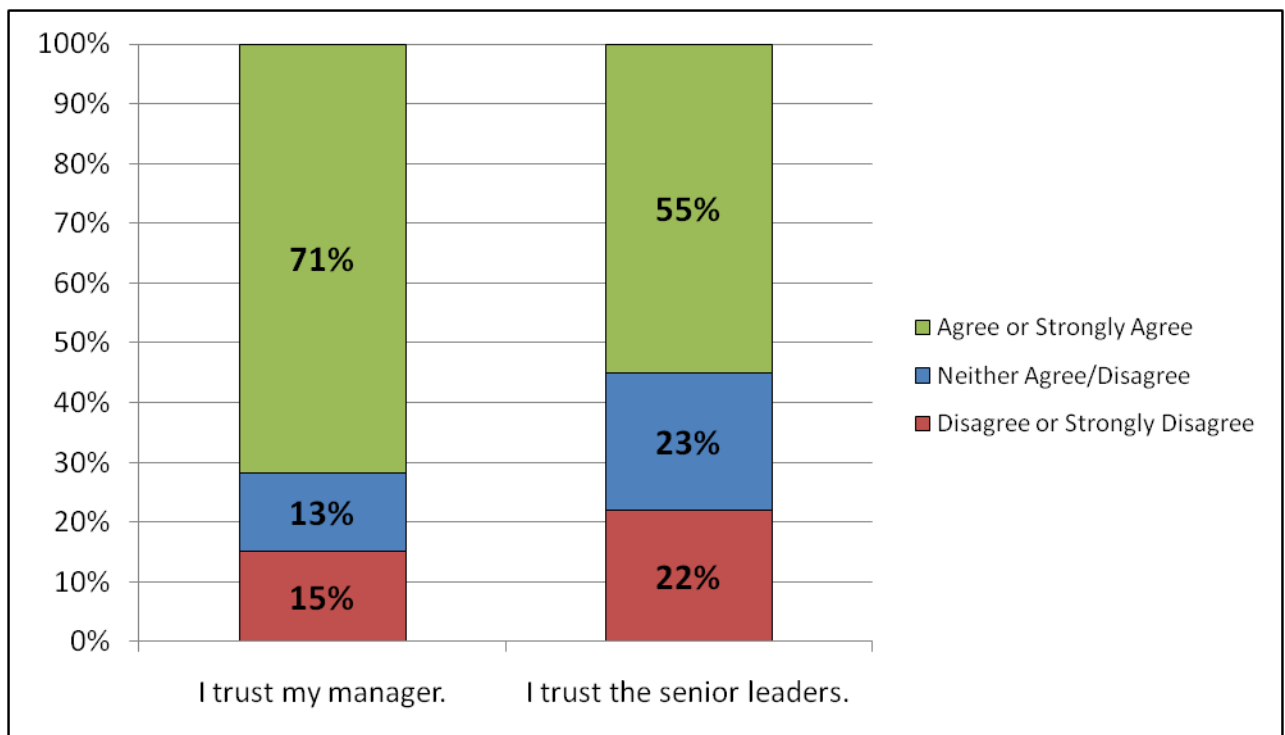
The main reason Australian/NZ employees consider leaving is **lack of career opportunities** (29%). An analysis of the secondary reasons for leaving indicates that the more Engaged employees are opportunistic, looking for increased financial rewards and a desire for change. Meanwhile, the less Engaged appear to be fleeing undesirable situations (work and managers they don't like).

Generation X are the most at risk for flight, especially after their first employer has trained them. 37% of Generation X in Australia/NZ are on the fence (they'll 'probably' stay), and 15% are planning their exit. Generation Y comes in a close second with 34% on the fence open to a better opportunity and 16% planning their exit.

Trust in leadership

Only half (55%) of employees in Australia/NZ report that they trust their organization's **senior leaders**. This figure is lower than it was in 2008, when trust in senior leaders was at 64%. In contrast, nearly 3 in 4 Australian/NZ employees (71%) trust their immediate managers.

“I trust my manager” vs. “I trust the senior leaders of this organization”



The importance of trust is underscored by its correlation to engagement levels. In Australia/NZ, 81% of Engaged employees trust senior leaders compared to just 19% of the Disengaged. The gap between the perceptions of Engaged and Disengaged employees is not quite as large when it comes to trust in managers. However: 89% of the Engaged trust their immediate managers compared to 42% of the Disengaged.

Manager actions and engagement

Actions

All of the manager actions measured correlate to Employee Engagement. That is, employees of managers who demonstrate these behaviors are more likely to be Engaged than those whose managers do not. However, the table below illustrates that Australian/NZ managers are not necessarily doing the things that may matter most. Less than half of Australian/New Zealand employees indicate that their managers provide regular feedback or have built a sense of belonging, while our analysis suggests that these actions have a substantial impact on engagement.

Prevalence of manager actions compared to potential impact on engagement

Action	Prevalence % who agree or strongly agree their mgr does this	Correlation % of those who agree or strongly agree who are also Engaged	Potential Impact gap when comparing to engagement of 36%
Delegates assignments effectively without micromanaging me	72%	44%	8 pts.
Asks for and acts on my input	71%	44%	8 pts.
Treats me like an individual with unique interests and needs	66%	47%	11 pts.
Encourages me to use my talents	64%	50%	14 pts.
Recognizes and rewards my achievements	53%	52%	16 pts.
Has built a sense of belonging in our dept or team	49%	50%	14 pts.
Provides me with regular, specific feedback on my performance	41%	52%	16 pts.

Relationships

It's not just what managers do, but also who they are.

	Engaged	Vs.	Disengaged
I trust my manager	88%		48%
I have a great working relationship with my manager	87%		41%
I know my manager well as a person	81%		23%

Executive leadership and engagement

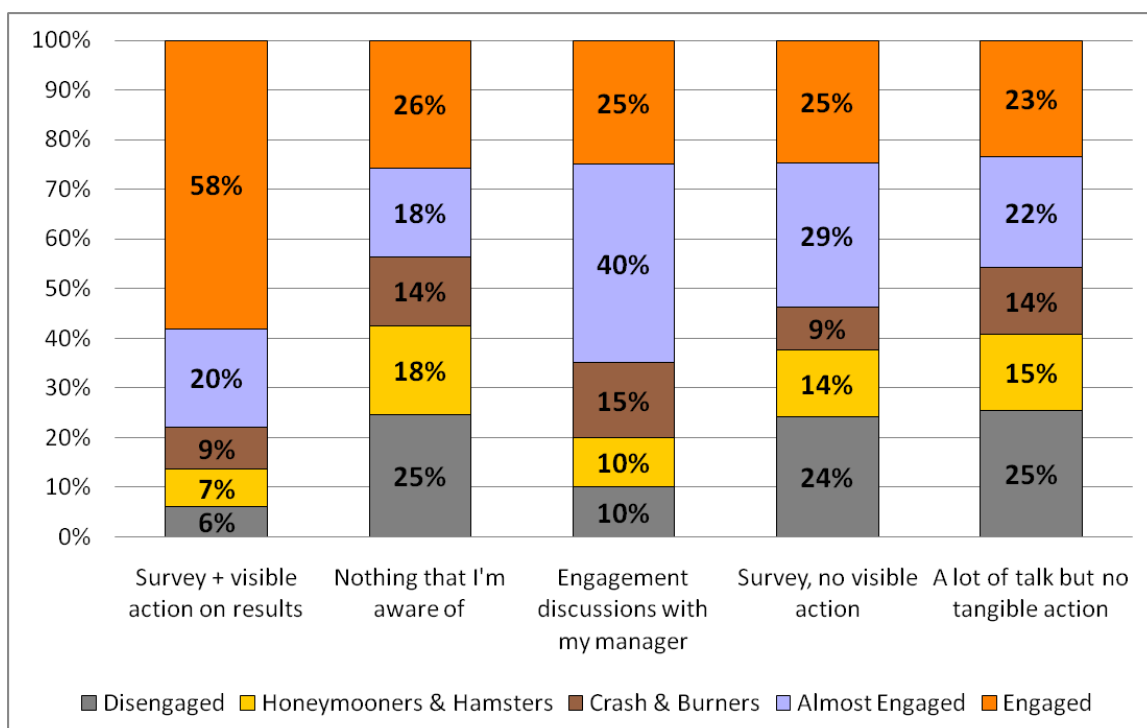
All of the executive behaviors measured correlate to high Engagement. Employees who indicate that their executives demonstrate these behaviors are more likely to be Engaged than those whose executives do not.

Prevalence of executive behaviors compared to impact on engagement

Action	Prevalence % who agree or strongly agree senior leaders do this	Correlation % of those who agree or strongly agree who are also Engaged	Potential Impact gap when comparing to overall 36% engagement
Link the work of the organization to a larger purpose	56%	50%	14 pts.
Act in alignment with our organization's core values or guiding principles	52%	51%	15 pts.
Communicate honestly	47%	53%	17 pts.
Have created a work environment that drives high performance	37%	58%	22 pts.

The double-digit gaps suggest that executive behaviors in Australia/NZ have the potential of making a bigger impact on engagement than manager actions. In line with the global pattern, the greatest potential may be in creating a work environment that drives high performance. Just over a third (37%) of executives do this in Australia/New Zealand.

Measurement Itself Not Enough – Could Even be Counter-productive



Like all other regions, it would be wise for Australian/New Zealand organisations looking to increase their employee engagement to run employee engagement surveys and then take visible action. 58% of employees stated their organisations have conducted surveys and took visible action on the results are Engaged. Only a quarter (25%) of Australian/New Zealand employees reporting that there were surveys conducted but no visible action was taken on the results are Engaged. This is 11 points lower than the overall Engaged population in Australia/New Zealand.

Organisations that don't know how Engaged their workforce is are working in the dark. They may have problems that directly affect productivity. They may also be masking issues such as the losing of productive Engaged employees and retaining unproductive disengaged employees.

However, organisations that survey but do not act on the results make matters worse because the very act of surveying raises awareness and the expectation that some action will ensue. If things stay the same, employees can become disgruntled. So don't survey for the sake of surveying.

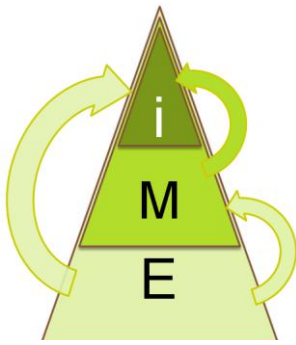
Australia/NZ respondent profile

- 837 respondents
- 56% female, 44% male
- 63% hold management, supervisory or executive titles, with 10% indicating they are a vice president or above (Around 50% of respondents from AIM Queensland)
- 42% work in HR, 16% in operations/logistics, 8% in customer service, 6% in finance, and the rest are scattered across sales, marketing, engineering, and other functions
- 44% of the respondents are considered Baby Boomers or earlier (born 1930-1964), 40% are from Generation X (born 1965-1977), and 16% are from Generation Y (born 1978-1994)
- 13% work in organizations that employ more than 10,000 people, and about three-quarters (78%) work for firms with fewer than 5,000 employees.
- 18% work for the government, 11% in manufacturing, 9% in an association or non-profit, 9% in manufacturing, 8% in academia/higher education and the rest are scattered across a range of industries including banking/financial services, technology, and energy/utilities
- Approximately two-thirds (64%) indicated that all or most of their team work at the same location, with 16% responding that they are virtual
- Half (51%) have worked three years or less with their employer, and 28% have worked for their organization more than 7 years
- A quarter (24%) have held their position for less than a year and 11% have been in their role more than 7 years

Key partners in collecting data on engagement in the Australian workforce for **BlessingWhite**:

- **AIM Queensland & NT**
- **The Australian Human Resource Institute**
- **Polson & Co.**

Here are some ways in which HR professionals can contribute to an engaged employee culture:



Key Implications and Recommendations

Employee engagement is a complex equation that reflects each individual's unique, personal relationship with work. As such, there are limits to what organizations can do with broad-brush workforce processes or communication programs.

Individuals must:

- **Own their engagement.** They come to work with unique motivators, interests and talents. They must be responsible for their personal and professional success.
- **Be clear on what is important to them.** If employees do not know their most important values and goals, they will not achieve satisfaction on the job.
- **Take action.** Employees cannot wait for a tap on the shoulder to signal a move into their next job. They need to take initiative to build their skill sets and find opportunities to apply their talents.

Organisations must help employees redefine career success to encompass lateral moves, skill development, stretch assignments and special projects – not just promotions or advancement. They need to provide development opportunities and tools to help younger employees, in particular, determine their personal definition of success so they can achieve it at their current employer rather than go elsewhere.

Managers must:

- **Take control of their engagement.** They, too, are employees. And a dead battery cannot jump start another. A misdirected manager cannot align team members to organisational goals.
- **Facilitate team members' unique engagement equations.** Managers cannot "make" employees engaged. They can build their understanding of each team member's unique interests, talents, and aspirations. They can coach each employee to higher levels of engagement.
- **Align individuals' passion and proficiency with organizational priorities and projects.**

Managers need to establish a compelling vision and show individuals how they contribute to it.

Organisations must ensure that managers have a clear line of sight to organisational goals so they can align employee efforts and talents accordingly. They need to equip managers with processes and tools for building mutually beneficial employee relationships that support effective, efficient coaching.

Executives must:

- **Commit or quit.** Senior leaders need to reflect on why they joined and why they stay.
- **Set a clear direction.** They are responsible for shaping the organisation's direction and definition of success, without which the maximum contribution of employees is impossible.
- **Inspire commitment.** They need to ensure that all employees not only understand what needs to be done but also care enough to apply discretionary effort.
- **Build a culture that fuels engagement.** Culture has been likened to the tide: As the tide rises, so do all the boats. Senior leaders set the tone for culture in what they do and what they say.

Organisations need to hold executives accountable for driving results and engagement. They need to help leaders develop authentic communication skills, which in turn will increase trust and inspire the workforce to greater heights of performance and commitment.

HR Professionals:

Have the stewardship to influence the leadership to build a culture of employee engagement and to establish the processes and skills to do this.

If you want:

- **The Full Global Report**
- **Information on a process that Builds an Engaged Employment Climate**
- **To attend the MPG®: The Success Connection engagement workshop on March 29 & 30**
- **To conduct an Internal Employee Engagement Study**

Send your contact details to Reg Polson: reg@polson.com.au or phone +61 3 9889 56877

This summary and interpretation of some implications from the BlessingWhite Engagement Study was written by: **Reg Polson & Lisa Pang**

