

How Leaders Drive Workforce Performance



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A Word from the President

Bottom-line business results depend on bringing emerging, developing and strategic leaders to the peak of their potential with maximum efficiency. In a world of work in which new challenges are confronting leaders at a quickening pace, no organization can afford to overlook leader development.

Right Management conducted of a major global study examining the relationship between leadership and employee engagement, identifying key drivers and behaviors impacting the leader's ability to engage employees in their roles. We hope this research sheds a penetrating light on the relationship of leadership to engagement and provides some practical advice on how leaders might more effectively engage their employees.

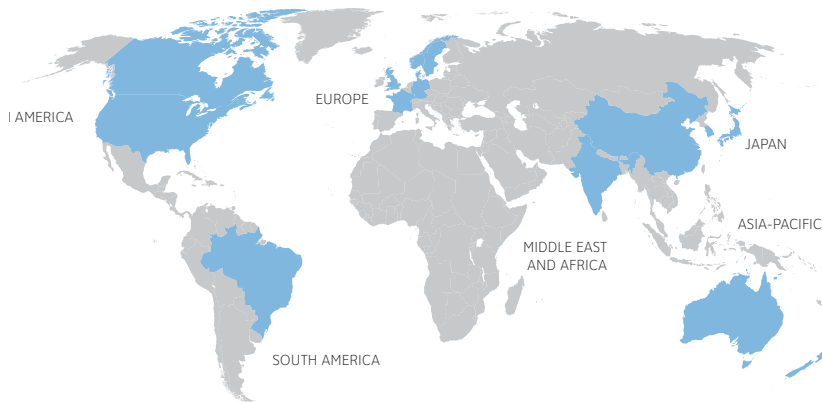
My colleagues and I look forward to continuing to provide research, insights and fresh perspectives to ensure you have the information, resources and solutions you need to accelerate leader development and deliver performance improvements that lift the entire organization.

Douglas J. Matthews
President and Chief Operating Officer
Right Management

How This Research Was Conducted

To arrive at a clearer understanding of engagement drivers impacting critical business metrics such as performance, employee satisfaction and retention, Right Management conducted a major study of engagement among 28,810 employees representing a broad range of sectors from 15 countries in the Americas, Europe, and Asia-Pacific.

Our survey asked participants to self-report on attitudes, performance and conditions directly related to the effectiveness of their organization. It identified 11 key determinants of organizational effectiveness and under each determinant or “topic” presented a number of statements or “items” associated with that topic. There were 99 items in total. For each item, participants were invited to choose among six responses ranging from “strongly agree” to “strongly disagree.” Eight items were specifically directed toward measuring the level of their engagement. The other 91 items addressed the 10 remaining topics, which ranged from leadership and strategy to culture and communication. Responses were then analyzed to test for correlations between engagement and each general topic as well as each specific item. Data was collected from November, 2008 to January, 2009. Most respondents (91%) were from private corporations employing 50 or more people, with revenues ranging from under \$1 million to over \$1 billion. The study used a stratified sample of employees that matched the workforce population in each country on several factors, including industry, size of organization, gender, and age.



COUNTRIES

United States, Canada, Australia, New Zealand, Brazil, UK, France, Germany, Norway, Sweden, Denmark, China, India, Japan, South Korea

INDUSTRIES

Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas and water supply; Construction; Wholesales and retail trade; Restaurants and hotels; Transportation, storage and communication; Finance, insurance, real estates and business services; Government, social and personal services.

INTRODUCTION

A Key Leadership Challenge

How do leaders ensure that employees are fully engaged by their work? How do they enhance employee productivity and optimize organizational performance?

In a rapidly changing world of work, leaders face an increasingly complex challenge understanding what motivates employees and drives job satisfaction, commitment, pride and advocacy. Globalization, changing demographics, economic turbulence, narrowing leadership pipelines, evolving business models, transformational communication technologies and the rise of the virtual work place are all trends placing new pressures on leaders and complicating the engagement issue. In a major study involving nearly 30,000 employees in 15 countries worldwide, Right Management recently sought to determine the factors most closely associated with driving employee engagement. The results provide valuable insights into the importance of leadership to engagement and the measures leaders can take to improve the performance of their workforce and their organization.

Fewer than half of nearly 30,000 respondents rated their immediate managers and senior leaders as effective.



ENGAGEMENT MATTERS

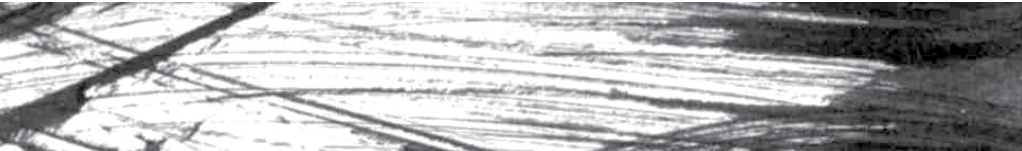
Engagement refers to an employee's willingness to work for the success of his or her job and organization. It consists not just of traditional notions of job satisfaction but of an active commitment to doing the job well and helping the organization achieve its goals and strategies. Engaged employees take pride in their organization and work; take ownership of their projects; talk positively about themselves, their employer and the goods and services they help deliver; view working for their organization as a career, not just a job; and, above all, perform better. A highly engaged workforce is 50% more productive than an unengaged workforce and displays retention rates that are 44% higher.¹ Engagement is a critical measure of alignment between the individual and the organization and a key determinant of organizational effectiveness.

¹ Weir, J. HR.com. 2003. Reporting findings of *First, Break All the Rules*, by Marcus Buckingham and Curt Coffman (Simon and Schuster, 1999) and *Now, Discover Your Strengths*, by Marcus Buckingham and Donald Clifton (The Free Press, 2001).

GLOBAL HIGHLIGHTS

Our research showed a significant correlation between leadership and employee engagement. Organizations with effective leadership, our results suggest, have more than twice the number of engaged employees than those without effective leadership. Of all respondents who rated the performance of their senior and immediate leaders highly, those who reported high levels of engagement outnumbered those who reported a lack of engagement by a margin of well over 2 to 1. Engaged employees also expressed disproportionately positive views of facets of the organization over which their leaders have significant control. In other words, organizations with leaders who help ensure, for example, that employee opinions count or that employees understand what is expected of them have a higher number of engaged employees than organizations without such leaders. One salient fact to emerge from our research requires emphasis: fewer than half of our nearly 30,000 respondents rated their immediate managers and senior leaders as effective.

Engagement is slightly higher among female employees. 36% of female respondents reported being engaged as compared to 33% of male respondents.



The study also revealed some important national differences in attitudes towards engagement and leadership. Respondents in India, the US and New Zealand reported the highest levels of engagement. Indian respondents also expressed the most positive assessments of both their senior and immediate leaders. New Zealanders and Brazilians ranked immediately below the Indians in their assessment of senior leaders, while Brazilians and the Chinese ranked immediately below them in their assessment of immediate leaders. Trailing these frontrunners in assessing leadership were European, Canadian, Australian and US respondents. The lowest performer of all was Japan: only 1 in 10 Japanese respondents indicated that they were engaged and only 1 in 4 rated their leaders as effective. Chinese respondents, interestingly, rated their leaders relatively highly but reported relatively low levels of engagement.

KEY FINDINGS

The Leader's Role in Creating Engagement

Our study analysis correlated participants' self-reports of engagement with their responses to the survey's 91 non-engagement-related items and the 10 non-engagement-related topics according to which individual items were grouped.

The findings discussed here consider engagement in relation to:

- The 10 general topics (that is, the 10 determinants of organizational effectiveness)
- The 2 topics specifically devoted to leadership (Immediate Managers and Senior Leaders) as well as the individual items belonging to each of these topics
- The 91 items considered apart from their topics

ENGAGEMENT DRIVERS BY TOPIC

- | | |
|-------------------------------------------|------------------------------------|
| 1. Work Processes | 6. Structure, roles and capability |
| 2. Learning and development opportunities | 7. Recognition and reward |
| 3. Culture | 8. Customer focus |
| 4. Senior leaders | 9. Strategy |
| 5. Communication | 10. Immediate managers |

ENGAGEMENT DRIVERS BY ITEMS

Participants were asked to report on perceptions of leadership effectiveness by providing a favorability or unfavorability rating for each of the following items, rating each: Strongly Agree, Agree, Partly Agree/Partly Disagree, and Strongly Disagree.

ENGAGEMENT DRIVERS FOR IMMEDIATE MANAGER

1. Is good at developing people
2. Provides me with on-going feedback on my performance
3. Acts on my ideas and suggestions
4. Asks me for feedback on his/her performance
5. Gives me the support I need to do my job well
6. Leads by example
7. Keeps me informed about changes happening in my organization
8. Has the skills to manage change effectively
9. Explains the link between the work I do and the organization's strategy

ENGAGEMENT DRIVERS FOR SENIOR LEADERSHIP

1. Value employees
2. Lead by example
3. Have the capability to make my organization successful
4. Are visible to employees
5. Encourage feedback across my organizations
6. Ensure that projects are completed
7. Behave consistently with organization values
8. Communicate effectively about change in my organization
9. Implement change effectively in my organization
10. Respond appropriately to changing external conditions
11. Make decisions consistent with my organization's strategy

THE FACTORS OF ENGAGEMENT

The results of our study reveal a statistically significant correlation between high engagement and each of the survey's 10 topics. In other words, each of these factors essential to organizational effectiveness bears a greater-than-chance relationship with engagement. While a strong correlation does not necessarily imply a cause and effect relationship, the possibility that a cause and effect relationship applies can legitimately be inferred from these results. In order of their correlation with engagement, the topics rank as follows:

1. Work Processes
2. Learning and development opportunities
3. Culture
4. Senior leaders
5. Communication
6. Structure, roles and capability
7. Recognition and reward
8. Customer focus
9. Strategy
10. Immediate managers

TAKEN ALONE AS A SINGLE FACTOR, LEADERS APPEAR TO MATTER LESS

As these ranking show, perceptions of leader performance do not matter most to engagement. Work processes, learning and development, and culture each have slightly higher correlations with engagement than does senior leadership. Moreover, of the 10 factors correlated with engagement, immediate managers demonstrates the lowest correlation. Leadership, then, appears to matter less.

LEADERSHIP IMPLICATED IN ALL FACTORS OF ENGAGEMENT

However, we would be making a mistake to confine our consideration of leadership and engagement to employees' direct perceptions of leader performance. Regardless of how employees may have responded to items directly addressing leadership, leadership is nevertheless strongly implicated in a host of other items more highly correlated with engagement. For example, the number one factor on the list, work processes, encompasses items such as, "our work processes are generally well organized and efficient," "I have an appropriate workload," and "the amount of pressure I experience in my role is reasonable." While none of these items specifically addresses leadership, leadership still must have had a direct impact on how respondents addressed these items. It is the role of leaders, especially immediate managers, to ensure that work processes are organized and efficient, that employees have appropriate work loads and that the pressures they face are manageable. While the correlation between engagement and employee opinions of immediate managers may be the weakest among the 10 correlations plotted, immediate managers nonetheless drive work processes – the factor most closely related to engagement.



TOP TEN GLOBAL ENGAGEMENT DRIVERS BY ITEM AND TOPIC

ITEM	TOPIC
1. I am committed to my organization's core values	Strategy
2. Our customers think highly of our products and services	Customer focus
3. My opinions count	Communications
4. I have a clear understanding of what is expected of me at work	Structure, roles and capability
5. I understand how I can contribute to meeting the needs of our customers	Customer focus
6. I have been fairly rewarded	Recognition and reward
7. Senior leaders value employees	Senior leaders
8. Everyone is treated with respect at work regardless of who they are	Culture
9. I can concentrate on my job when I am at my work area	Work processes
10. My personal work objectives are linked to my work area's business plan	Strategy

ENGAGED EMPLOYEES VIEW LEADERS FAVORABLY

Not surprisingly, our research revealed senior leaders and immediate managers correlate strongly with engagement. Of those respondents who rated highly on engagement indicators, 77% expressed a favorable view of their senior leaders and 74% expressed a favorable view of their immediate managers. By contrast, only 33% of unengaged employees indicated similarly favorable views of senior and immediate managers. Clearly, the performance of both senior and immediate leaders is closely associated with the engagement of employees.

SENIOR LEADERS VALUED FOR VALUING EMPLOYEES

Among individual survey items pertaining specifically to senior leaders, those showing the highest correlation with engagement are:

1. Senior leaders value employees
2. Senior leaders have the capability to make my organization successful
3. Senior leaders effectively implement my organization's strategy
4. Senior leaders effectively communicate my organization's strategy to employees



Work processes are key drivers of engagement and performance. Our research suggests that organizations with effective immediate managers have work processes two times more efficient than organizations with ineffective immediate managers; those with effective senior leaders have work processes that are four times more efficient.

These correlations provide a more granular view of the relationship between senior leadership and engagement. Engaged employees value senior leaders most for valuing employee contributions, which must predictably entail demonstrating that they value these contributions. Senior leaders are also valued for implementing and communicating the organization's strategy. As these items again show, communicating with employees effectively is almost as important as acting effectively. The senior leadership items that appear to matter least to engagement are "senior leaders ensure that projects are completed" and "senior leaders are visible to employees."

SENIOR LEADERSHIP ENGAGEMENT DRIVERS			
ENGAGEMENT DRIVER	STRONGLY AGREE/ AGREE	PARTLY AGREE/ PARTLY DISAGREE	DISAGREE/ STRONGLY DISAGREE
Value employees	48%	31%	21%
Have the capability to make my organization successful	56%	28%	15%
Lead by example	41%	33%	26%
Implement change effectively in my organization	42%	34%	24%
Behave consistently with organization values	49%	32%	19%
Communicate effectively about change in my organization	43%	32%	24%
Encourage feedback across my organization	46%	32%	22%
Make decisions consistent with my organization's strategy	51%	33%	16%
Respond appropriately to changing external conditions	46%	34%	20%
Ensure that projects are completed	55%	31%	15%
Are visible to employees	51%	27%	22%

IMMEDIATE MANAGERS VALUED FOR SUPPORTING WORK AND DEVELOPMENT

Among individual survey items pertaining specifically to immediate leaders, those showing the highest correlation with engagement are:

1. My immediate manager gives me the support I need to do my job well
2. My immediate manager facilitates effective discussions about my career development
3. My immediate manager explains the link between the work I do and my organization's strategy
4. My immediate manager is good at developing people

Three of the four immediate manager items that correlated most highly with engagement involve providing employees with the support they need to perform well and advance their skills and career. If employees look to senior managers to value their contribution, they look to immediate managers to help them enhance their contribution. Once again, strategy also plays a role. While employees expect senior leaders to communicate the organization's strategy, they expect immediate managers to explain how their work helps realize this strategy. In short, they want to be valued for their contribution, enhance their contribution and understand how their contribution helps to advance the success of the organization.

Interestingly, the immediate manager item with the lowest correlation with engagement is, "My immediate manager asks me for feedback on his or her performance." For engaged employees, it's their own needs and the needs of the organization that count, not the needs of the manager.

IMMEDIATE MANAGER ENGAGEMENT DRIVERS

ENGAGEMENT DRIVER	STRONGLY AGREE/ AGREE	PARTLY AGREE/ PARTLY DISAGREE	DISAGREE/ STRONGLY DISAGREE
Gives me the support I need to do my job well	52%	29%	18%
Explains link between work I do and organization's strategy	45%	30%	25%
Has the skills to manage change effectively	50%	27%	22%
Is good at developing people	47%	29%	25%
Leads by example	46%	29%	26%
Provides me with on-going feedback on my performance	49%	27%	23%
Acts on my ideas and suggestions	49%	32%	19%
Keeps me informed about changes in organization	50%	28%	22%
Asks me for feedback on his/her performance	34%	25%	41%

CASE STUDY

BUSINESS CHALLENGE

How do we develop our leadership pipeline?

SOLUTION

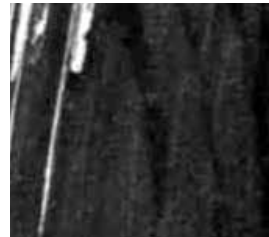
When one of the world's largest oil companies dramatically changes its business model, the talent profile needs to change dramatically as well. As executives prepared the company's new vision and values, they sought to build a new core talent reserve stocked with future leaders who could assure the continued growth and development of the reconceived organization. Specifically, the goal was to energize the company's Norwegian operations. Working closely with the client, Right Management developed a customized program for identifying high-potential individuals and nurturing their leadership skills. The 18-month program combined four facilitated group meetings with personal development work. Specific topics included leading teams and energizing people, the use of creativity, aligning individual and company values, and managing in a culturally diverse world. The client initially selected 12 individuals from the Norway organization as participants for the first program; of that group, one-third were eventually promoted to new positions. We have since been asked to repeat the program for a new talent group.

Create the Processes, Learning and Culture that Promote Engagement

If the favorable evaluation of a leader's performance is indeed causally related to higher self-reported engagement, then a number of conclusions about how to increase engagement among employees are possible.

Leaders must create the conditions that make engagement possible. According to our survey, the top three topics associated with engagement are work processes, learning and development, and culture. Ensuring employee engagement can be as simple as providing employees with a work area where they can concentrate or as complex as providing them with the means to balance work and career development with personal interests. It includes providing them with career opportunities, investing in learning and development and encouraging people to take ownership of their work. It also involves creating an environment where everyone is treated with respect regardless of who they are.

Baby boomers reported slightly higher levels of engagement (37%) than did Generation X employees (33%) and Generation Y employees (34%). These results suggest that leaders should make special efforts to reach out to younger employees. Younger employees are precisely those most in need of developmental and career support.



TIE EMPLOYEE SUCCESS TO ORGANIZATIONAL SUCCESS

In so far as perceptions of leadership performance are important, leaders at both senior and immediate levels are advised to tie employee success to organizational success. For senior leaders, implementing strategy successfully and making the organization successful are important drivers of employee engagement. But so too are explaining strategy to employees and ensuring that their work is recognized and valued. For immediate managers, key engagement drivers include showing employees how their work contributes to strategy and giving them the support they need to do their job well. Clearly, helping employees perform well in the present is essential. So too is looking

to the future: other key drivers for immediate managers include helping employees develop their capacities and advance in their careers. Employees want to work for successful organizations and they want to make meaningful contributions to that success both at present and in the future. Leaders do best to drive engagement when they help them further those goals.

HAVE MEANINGFUL DISCUSSIONS WITH EMPLOYEES

Interestingly, our survey shows that the top individual items associated with engagement are not components of the two leadership topics nor indeed of the three topics at the top of the engagement correlation list (see page 8). That is, when responses to the 13 items comprising the work processes section of the survey are averaged together, work processes emerges with the highest correlation to engagement among the 10 general topics or factors considered. Yet when ranking the survey's 91 individual items according to their correlation with engagement, the highest any one work processes item rank is ninth.

From highest to lowest correlations, the top five individual items are:

1. I am committed to my organization's core values (strategy)
2. Our customers think highly of our products and services (customer focus)
3. My opinions count (communications)
4. I have a clear understanding of what is expected of me at work (structure, roles and capability)
5. I understand how I can contribute to meeting the needs of our customers (customer focus)

This list provides additional perspectives on what leaders can do to enhance engagement. Items three to five point to the importance of communication. Leaders must make job expectations clear but must also ensure that employees understand customer needs clearly. Above all, leaders must listen and act on employee opinions: communication is a two-way street.



FORMULATE A STRATEGY THAT RESONATES WITH CORE VALUES OF EMPLOYEES

Of all 91 items included in our survey, the single item correlating most strongly with engagement, "I am committed to my organization's values," belongs to the strategy topic. If there is one single thing leaders can do to increase engagement within the organization, it is to formulate a strategy reflecting core values with which employees can identify. For example, on the assumption that most employees will identify with a strong corporate social responsibility agenda, building such an agenda into your organization's strategy may go a far way towards driving workforce productivity and ensuring business success. As renowned Harvard business strategist Michael Porter recently observed, "the really great strategies of today have a social dimension."²

² Richard Blackwell, "Business guru takes issue with stock trading strategies," Globe and Mail, 16 June 2009.

JOB ENGAGEMENT VS. ORGANIZATION ENGAGEMENT

The engagement section of our study consisted of eight items, four devoted to assessing respondents' engagement with their job and four assessing their engagement with their organization. Thirty-four percent of all respondents indicated that they are engaged by both job and organization. Interestingly, 9% indicated that they were engaged by their organization but not by their job while 7% indicated that they were engaged by their job but not by their organizations. The former group, sometimes referred to as "benchwarmers", are happy to cheer from the sidelines but are reluctant to play a strong role in achieving collective success. The latter group, sometimes referred to as "free agents", are happy to make a strong contribution but feel no particular loyalty to the organization and may leave at any time. Both groups present leaders with unique engagement challenges.

Best Practice Recommendations

What are some of the skills, attributes and behaviors senior and immediate leaders can leverage to drive employee engagement?

SENIOR LEADERS

- Show that you value employees
- Build a strategy reflecting core values with which employees can identify
- Implement the organization's strategy effectively
- Communicate strategy to employees clearly
- Implement organizational change effectively

IMMEDIATE MANAGERS

- Facilitate discussions with employees about career development
- Help employees understand the link between the work they do and the organization's strategy
- Provide employees with the support they need to do their jobs well
- Manage work processes effectively
- Focus on developing people

Why Enhance Leadership Skills and Attributes

It remains for us to emphasize one last key finding to emerge from our research: fewer than half of our nearly 30,000 respondents rated their immediate managers and senior leaders as effective.

If these results are representative, organizations worldwide face major challenges and opportunities related to employee engagement. Employees, quite simply, are less engaged than they could be were they provided with more effective leadership. Many organizations, our results suggest, could achieve significant productivity gains by enhancing the leadership skills and attributes of leaders at all levels.

Based on our major global study of the determinants of organizational effectiveness, this white paper has considered some of the key evidence linking leadership to employee engagement. It has also made several recommendations addressing measures leaders can take to help drive engagement. Leaders at all levels have a significant impact and influence over the factors that determine employee engagement. Employee engagement has long been shown to have a direct relationship with business metrics such as productivity, quality, customer loyalty and talent retention. As organizations look for every competitive advantage to move their business forward, leader development, our research strongly suggests, should become an undisputed priority.

Contributors

Michael Haid

Senior Vice President

Global Solutions

As a global thought leader for Right Management's Talent Management practice, Michael drives the strategy and execution of the organization's Talent Assessment capabilities worldwide. He supports a network of Regional Champions and Subject Matter Experts and leads the design and implementation of global, scalable solutions delivered to meet critical and emerging business needs. These key capabilities and associated client solutions focus on competency modeling and individual, team, and organizational assessment.

Deborah Schroeder-Saulnier, D.Mgt.

Senior Vice President

Global Solutions

As a global thought leader for Right Management's Talent Management practice, Deborah drives the global strategy and execution of the organization's Leader Development, Organizational Effectiveness and Employee Engagement capabilities worldwide. She supports a network of Regional Champions and Subject Matter Experts and leads the design and implementation of global, scalable solutions delivered to meet critical and emerging business needs. These key capabilities and associated client solutions focus on the areas of leadership, succession, performance management, strategy and strategic workforce alignment, change management, wellness and productivity management, workforce engagement and retention strategies.

Jamie Sims, BA (Hons), MPsych, MBA

Managing Principal

Jamie is a registered psychologist and assessment specialist. She currently heads Right Management's Talent Assessment practice in Australia and New Zealand. Since joining Right Management, Jamie has been involved in a range of national and global assessment and leadership development consulting projects. Jamie also provides individual coaching using an evidence-based approach and Cognitive Behavioral and solution-focused techniques.

Hilda Wang

Data Manager

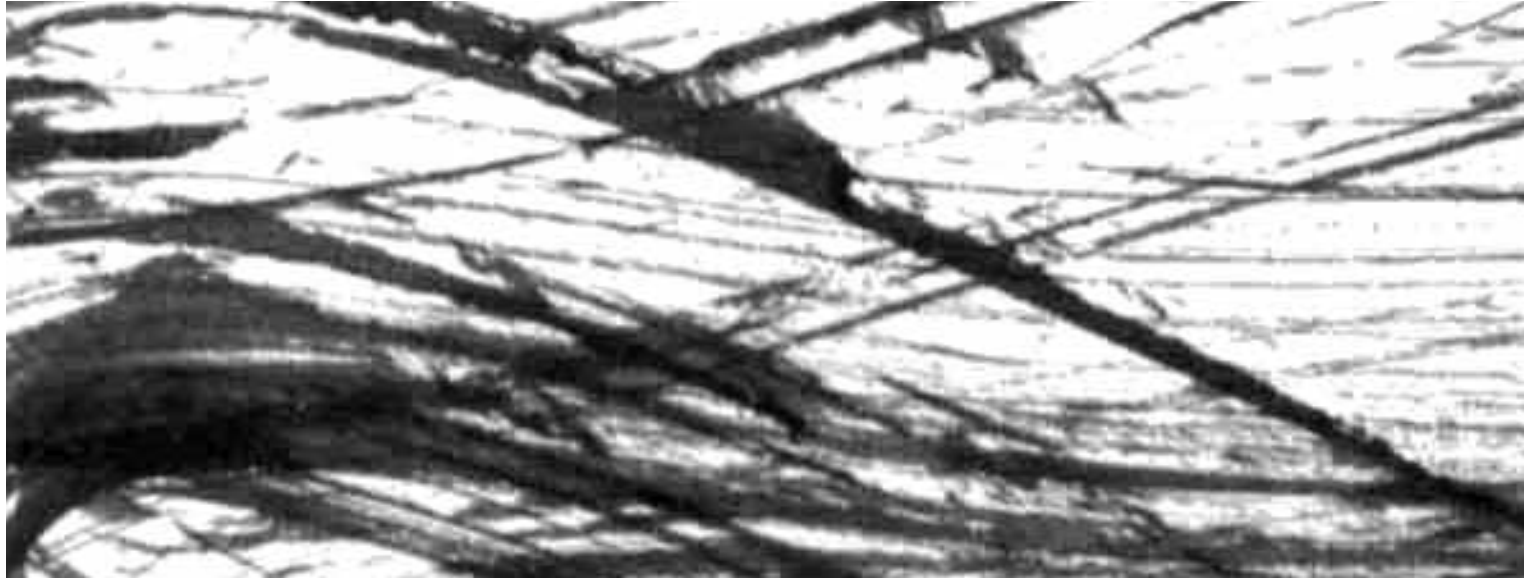
Hilda Wang is the Data Manager for Right Management in Australia. She has extensive experience in analyzing data, data presentation and benchmarking. Hilda has worked with clients from a range of industries spanning both the private and public sector, including banking and finance, mining and resources, hospital and health care, manufacturing, utilities and instrumentalities, communication and IT.

Stephen L. Cohen, Ph.D.

Founder and Principal for Strategic

Leadership Collaborative

Steve Cohen is Founder and Principal for the Strategic Leadership Collaborative, focusing on leadership strategy and development solutions including educational experiences, succession management, senior team strategy alignment and high-performance coaching. Most recently he was Senior Vice President of Global Solutions for Right Management's Leadership Development Center of Excellence.



Right Management (www.right.com) is the talent and career management expert within Manpower, the global leader in employment services. Right Management helps clients win in the changing world of work by designing and executing workforce solutions that align talent strategy with business strategy. Our expertise spans Talent Assessment, Leader Development, Organizational Effectiveness, Employee Engagement, and Workforce Transition and Outplacement. With 300 offices in over 50 countries, Right Management partners with companies of all sizes. More than 80% of Fortune 500 companies are currently working with us to help them grow talent, reduce costs and accelerate performance.

Right Management Inc.
1818 Market Street, 33rd Floor
Philadelphia, PA 19103-3614

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