



TOWERS
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ISR INTERNATIONAL SURVEY RESEARCH

Engaged employees drive the bottom line

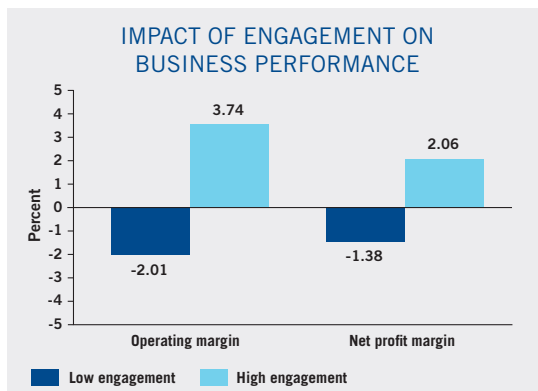
ENGAGED EMPLOYEES REDUCE COSTS,
WORK HARDER, AND CREATE MORE SATISFIED
CUSTOMERS. TOWERS PERRIN-ISR'S RESEARCH
AND CONSULTING SERVICES LEAD THE WAY.

Organisations that fail to engage their people fail to achieve their full potential.

Intuition tells us that when employees are truly engaged in their work and in the values and goals of the organisation, their behaviour will generally be supportive of organisational success. It seems equally self-evident that disengaged employees are unlikely to give their best.

Fortunately, Towers Perrin-ISR has studied this issue using real data and has more than just intuition. Our research indicates that engaged employees *are* more loyal—and the greater the number of more loyal employees, the lower the costs of recruiting, hiring, training, and developing, not to mention the positive effects on productivity. Engaged employees are also more willing to give extra effort when the organisation needs it. Engaged employees in customer-facing roles are more likely to treat customers in ways that positively influence customer satisfaction.

These outcomes of engagement do, in fact, have a financial benefit. In a study conducted by Towers Perrin-ISR using data from over 360,000 employees from 41 companies in the world's ten largest economies, we examined the relationship between different levels of employee engagement and corporate financial performance, measured by change in operating margin and change in net profit margin. Comparing high-engagement to low-engagement companies over this three-year period, the differences were substantial:



Clearly, engaged employees are better for the bottom line.

If you can't measure it, you can't manage it

Employee engagement sounds good in theory. But unless an organisation can define it and measure it, they cannot possibly improve it, let alone know whether their efforts to improve it are actually working.

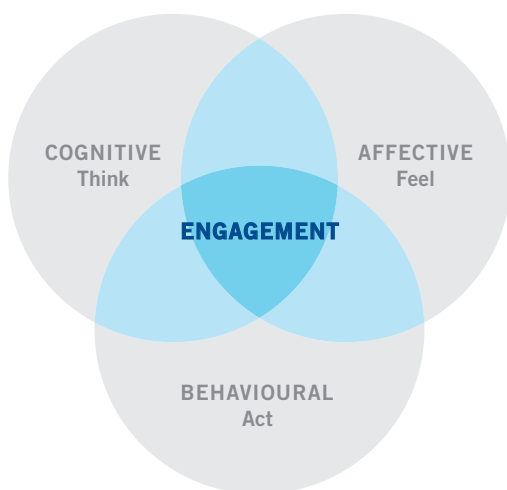
There are a few “working models” of engagement in use today. Most research firms view engagement from only one or two dimensions: how employees feel (their emotions toward the company, the leadership, the work environment, etc.) and/or how they intend to act in the future (will they stay, give extra effort, etc.). Towers Perrin-ISR's approach to helping companies increase employee engagement includes an important advance over existing methods. Through thorough literature review, concept development, and field testing, Towers Perrin-ISR has added a third important dimension that truly improves an organisation's ability to understand what drives engagement in their work force: do employees believe in and support the goals and values of the organisation? Further, Towers Perrin-ISR's engagement methodology includes the ability to compare performance on key dimensions with an unmatched database of current norms based on observations from thousands of employees around the world. Norms—whether based on geography, industry, functional area, level of corporate financial performance, demographic

A RETAIL BANK LEARNS HOW CUSTOMER SATISFACTION IMPACTS EMPLOYEE ENGAGEMENT

In a recent project with a retail bank, Towers Perrin-ISR did a thorough analysis of these engagement components and developed a groundbreaking insight for this client: exclusively among *highly engaged* staff, the bank's focus on customer satisfaction was linked not only to overall employee engagement, but more specifically to the cognitive (“Think”) component. Therefore, in order to maintain high engagement (and its related benefits), this bank must make sure that top management, *in particular*, continues to emphasise the firm's commitment to customer satisfaction in its internal communications, both formal and informal. Why top management in particular? Because we know that the cognitive dimension of engagement results from how employees evaluate the organisation's overall goals and values, which are primarily communicated by top management. Work-unit level communications from managers and supervisors, and standardised corporate communications that employees know do not necessarily reflect the personal values of top management, will *not* impact cognitive engagement unless these same messages are also coming personally, and consistently, from senior executives.

group, or a combination—provide *essential* context for understanding whether quantitative results are relative strengths or weaknesses. Often results that look good internally do not fare well when compared to other organisations—and vice versa. Given generally lower employee loyalty in organisations today, understanding engagement in the context of external benchmarks can be crucial to knowing if an organisation’s people are at risk.

These three components of Towers Perrin-ISR’s engagement approach can be summarised in a simple model:



The Cognitive, or “Think” component relates to employees’ logical evaluation of a company’s goals and values. The Emotional (Affective) component, or “Feel,” taps into whether employees have a sense of belonging and pride in the company. Finally, the Behavioural dimension, or “Act,” captures the outcomes that employers desire such as retention and willingness to “go the extra distance” for the company when necessary. Engagement itself is actually a measure of the combination of these three components.

Measuring all three of these components is crucial to developing a complete set of options for improving engagement—and reaping the bottom-line benefits. Only Towers Perrin-ISR offers this comprehensive approach.

Why Towers Perrin-ISR?

- Decades of multicultural experience in human-capital assessments
- Know-how to translate results into actions
- Unrivalled global normative database to guide decisions to “what works”
- Tailored approach adapts Tower Perrin-ISR’s experience to each organisation’s unique circumstances

THE TOWERS PERRIN-ISR APPROACH to improving engagement is to assess the current workforce by drawing from a set of questions that we know from prior validation research will accurately measure engagement via its three components. This battery is not fixed; we work with our clients to determine the right set of items and even where and how to include custom items. From the data we gather (often in the context of a regular employee opinion survey), we apply our advanced multivariate analysis techniques to uncover the key engagement issues for our clients’ organisation. Importantly, this comes not only by looking at their own results, but also by comparisons with Towers Perrin-ISR’s unrivalled performance norms.



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About Towers Perrin-ISR

Towers Perrin-ISR is a global leader in employee research. We use advanced research techniques to gain insights into the attitudes and opinions of employees in organizations around the world. These insights shape and inform the people strategies that transform businesses and lift financial performance through enhanced workforce retention, productivity, innovation, safety and engagement.

Founded in 1974, ISR quickly grew to own the world's largest normative database on workforce attitudes. In 2007 ISR became a part of Towers Perrin, creating the most comprehensive and sophisticated approach to workforce engagement, management and performance available today. To find out more, visit www.isrinsight.com and www.towersperrin.com.