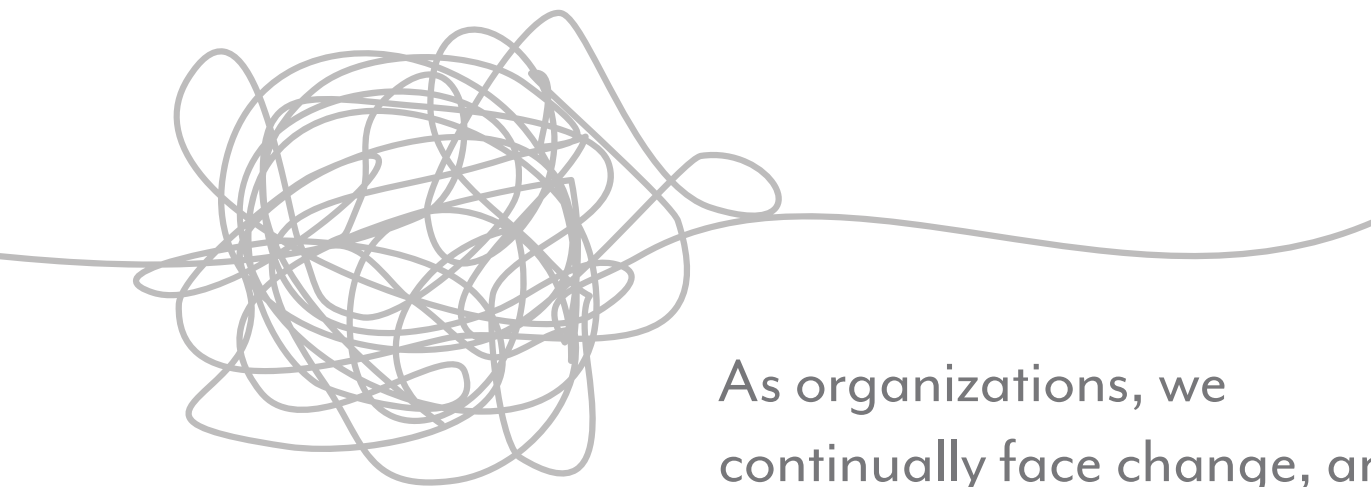


CLOSING THE EMPLOYEE ENGAGEMENT GAP

A DATA-DRIVEN APPROACH



DEUTSER **CLARITY** INSTITUTE



As organizations, we continually face change, and now, more than ever, leaders deal with unpredictable and unprecedented obstacles on a daily basis. These conundrums arise internally and externally and impact us financially, operationally and culturally.

Achieving organizational success, whether by generating alpha for investors or manufacturing widgets for consumers, is difficult, and understanding how strong organizations overcome the inherent obstacles associated with success is a key to unlocking organizational clarity.

**People
are our
greatest
asset.**

People are our greatest asset. Our people develop our products, implement our strategic plans and execute on our promises to customers. In order to navigate a chaotic marketplace, our people's level of engagement to our operation's strategy and culture is paramount.

An engaged workforce advances our strategic vision rather than maintaining the status quo. In the worst cases, a disengaged workforce drags down morale and impairs operational effectiveness. Once we understand what employee engagement is and how it affects any organization, we must institute key performance indicators, identify improvement levers and implement appropriate solutions to optimize organizational performance.

EMPLOYEE ENGAGEMENT

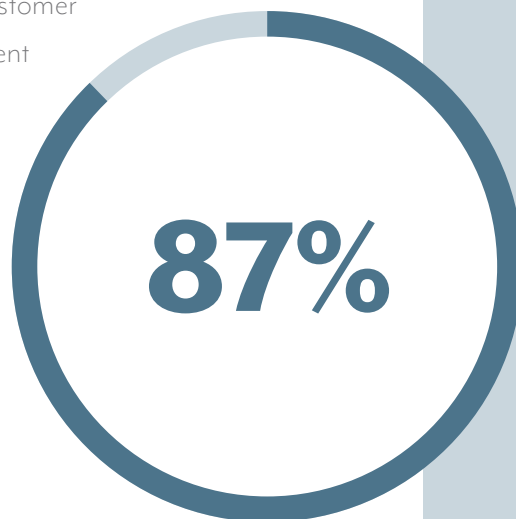
Employee engagement describes the relationship between an organization and its employees. In its simplest form, we can think of employee engagement as the buy-in of an employee to an organization's leadership, vision and values. This buy-in results from employee positivity toward the five elements of engagement.

5 ELEMENTS OF EMPLOYEE ENGAGEMENT



The relationship between an individual and the organization, as measured through the individual's heightened capacity towards the five elements, facilitates growth of both entities. This positivity allows for an exchange of ideas, skills and experiences that allow both to prosper. Conversely, a poor relationship does far more damage to the organization. A disengaged employee will maintain the status quo, cut corners to achieve a minimal level of effort, or in the worst case, actively speak out against the organization and its practices. In each of these scenarios, the organization can incur poor financial and operational outcomes, which can actualize as a decline in: customer service, safety conditions and equipment maintenance.

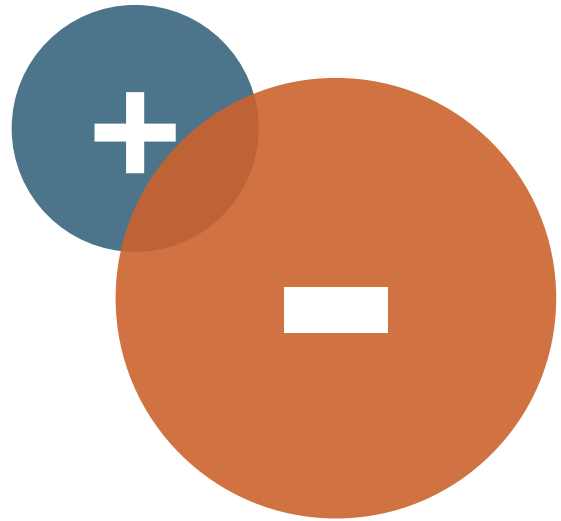
These ideas and outcomes are not hypothetical: disengaged employees are pervasive across industries and job markets. According to Gallup, a staggering 87% of all employees are not engaged with their organization.



"87% of employees worldwide are not engaged."

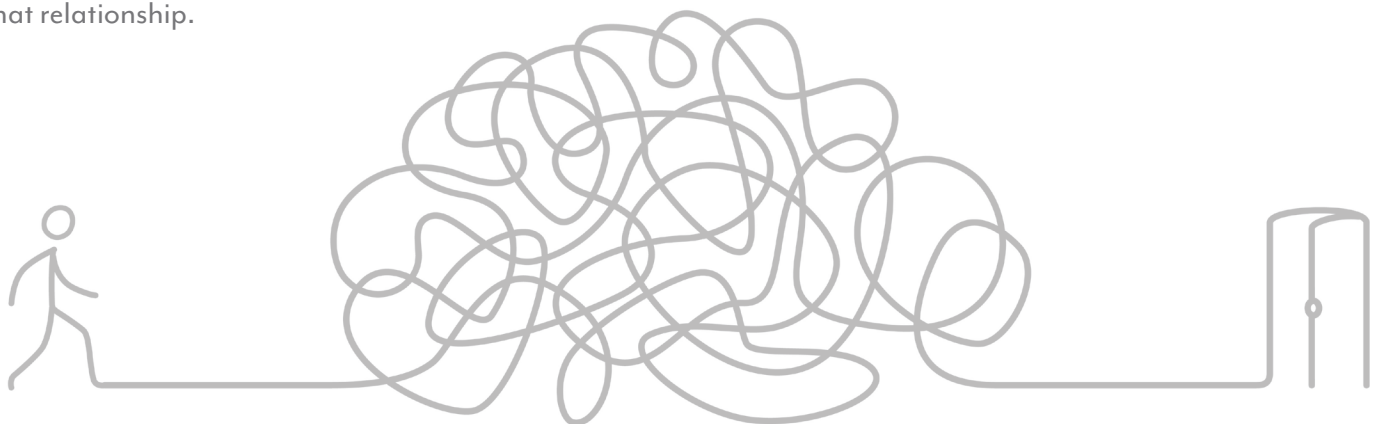
(GALLUP)

A single employee's level of engagement directly impacts the overall sentiment of all employees within a group. Research shows that individual interactions have wide-spanning effects within networks, and the strength of negative interactions is disproportionately stronger than positive interactions. Employees who are active detractors, even if representing a small portion of their overall group, have the ability to bring down the attitude of a population. This change in attitude toward an organization's mission limits engagement and ultimately results in an increase in employee attrition across industries. (Parker, Gerbasi, Porath)



Disengaged workers have more than just an effect on group attitude and sentiment. Their attitudes and actions have real effects on safety, productivity and profitability.

Disengaged workers have more than just an effect on group attitude and sentiment. Their attitudes and actions have real effects on safety, productivity and profitability. A multinational Gallup study in 2013 indicates that companies within the top quartile of engagement experience 48% fewer safety incidents while enjoying a 21% increase in productivity and 22% increase in profitability. The relationship between a company and its workers has a significant impact on its bottom line, and **it's important to learn how we can accurately measure and diagnose lapses in that relationship.**



EMPLOYEE NET PROMOTER SCORE

In order to identify the levers that drive engagement, we must implement a way to measure employee sentiment toward our organization. The optimal key performance indicator used for

this is the Employee Net Promoter Score (eNPS). eNPS measures how likely an individual would be to recommend employment within his/her organization to a friend or colleague. This is uncovered by asking:

“On a scale from 0-10, how likely are you to recommend your organization to a friend or colleague? (0=extremely not likely, 10=extremely likely)”

Employees who score from 0-6 are considered detractors, employees who would not recommend your organization for employment or actively detract from your brand. On the other hand, promoters, scoring 9-10, are your biggest supporters and have bought in to the organization and its mission. Those who score in the middle, 7-8, are passive: they are not active detractors but they are apprehensive

around certain aspects of the business.

In order to calculate eNPS, the number of promoters and detractors are individually divided by the total number of individuals who answered the question. Then, the percentage of detractors is subtracted from the percentage of promoters, which results in a score from -100 to 100. A -100 would suggest that all employees are disengaged and would not recommend the organization for employment. Alternately, a 100 would suggest all employees are engaged with the organization.

HOW TO CALCULATE eNPS

0-6
DETRACTORS

7-8
PASSIVE

9-10
PROMOTERS

% PROMOTERS

—
% DETRACTORS

EMPLOYEE NET PROMOTER SCORE

AVERAGE eNPS

33.78

Deutser's research, comprised of a sample of 13,500 employees across 19 companies, shows that the average company's eNPS is 33.78.



27%

Over a quarter of all employees are considered to be passive, neither promoting nor detracting from an organization's brand and mission.

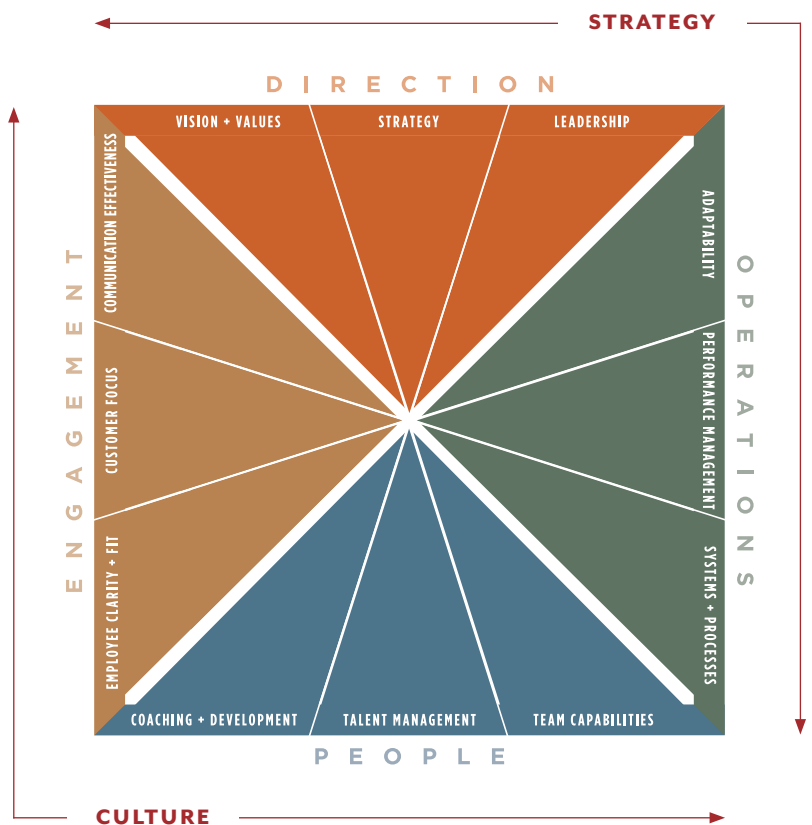
Listening to the needs of this significant percentage of employees is the key to accelerating employee engagement. (DEUTSER CLARITY INSTITUTE)

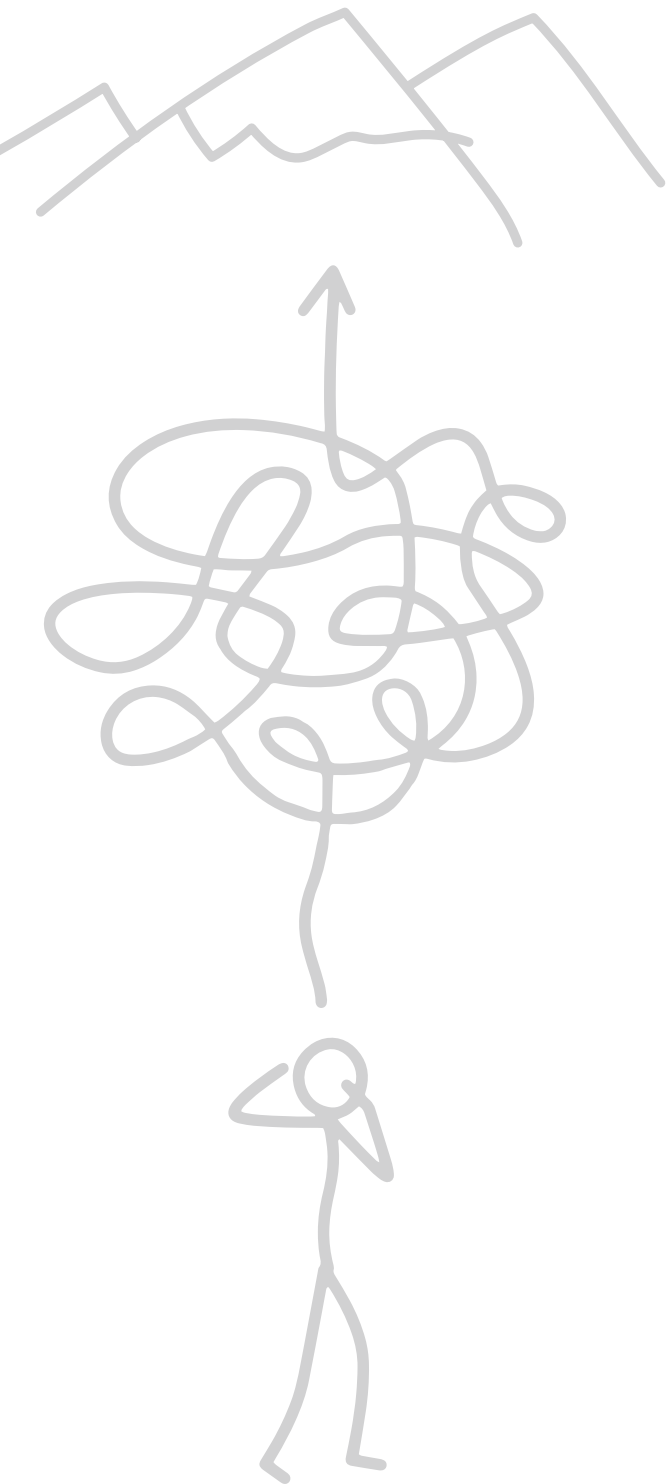
The margin between promoter and detractor is small, and passive employees are on the fence. At any time, they can become either a detractor or promoter. As leaders, it is important to understand what aspects of the organization can be improved, and what levers we must pull, in order to ensure that these individuals become promoters, rather than detractors. Understanding passive employees and their apprehensions within the organization is the key to elevating an organization's level of engagement. Put simply, passives are the target group to understand where we can improve.

CLARITY PERFORMANCE INDEX

Although understanding the Employee Net Promoter Score, and the percentage of detractor, promoter, and passive employees, is a good overall indicator of employee engagement, it is difficult to utilize these metrics as a tool — to unpack them into actionable data. We need a holistic tool that measures our organizational performance and generates actionable insight in reference to eNPS, for passives as well as detractors and promoters.

The Clarity Performance Index (CPI) is an effective diagnostic tool used to gain insight into an organization's performance in four key areas: Direction, Operations, People and Engagement. It measures performance through a balanced approach: Direction and Operations assess strategic performance while People and Engagement assess cultural performance.





Each area is comprised of three dimensions, each of which measure employee sentiment around individual aspects of organizational performance.

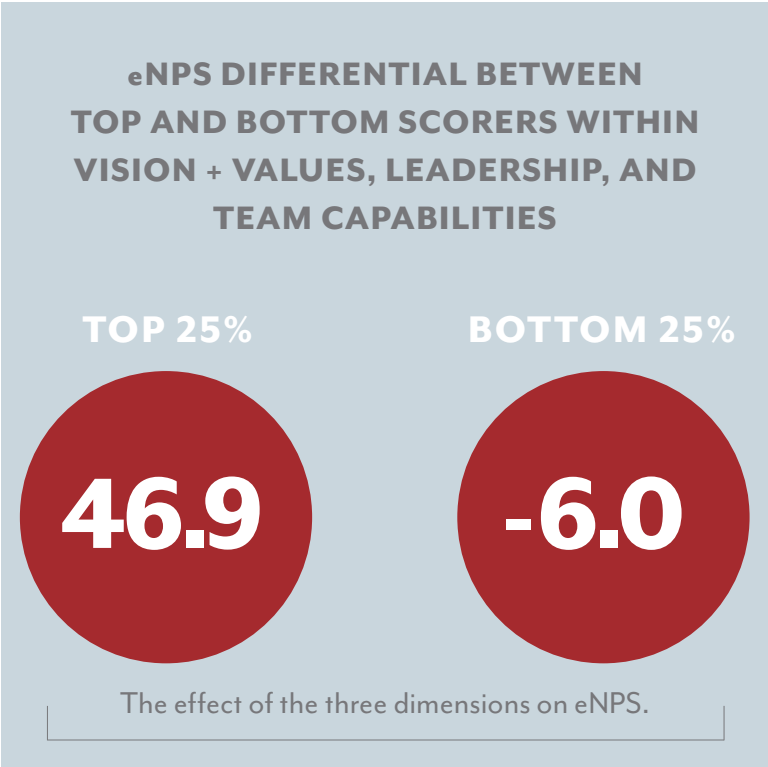
DIRECTION	Vision + Values
	Strategy
	Leadership
OPERATIONS	Adaptability
	Performance Management
	Systems + Processes
PEOPLE	Coaching + Development
	Talent Management
	Team Capabilities
ENGAGEMENT	Employee Clarity + Fit
	Customer Focus
	Communication Effectiveness

The dimensions are scored separately, and all 12 scores can be compared and correlated to eNPS to unpack our results. Ultimately, each dimension signifies an aspect of the business that correlates to implementable solutions that can assist in increasing employee engagement.

Traditional organizational development practices would suggest that Communication Effectiveness, Employee Clarity + Fit and Talent Management would be the most significant drivers of employee engagement. However, statistical analysis of CPI results from over 13,500 respondents has shown that Vision + Values, Leadership and Team Capabilities are the strongest predictors of eNPS, and thus, engagement.

Vision + Values, Leadership and Team Capabilities are the strongest predictors of employee engagement.

When comparing organizations who score in the top 25% with those in the bottom 25% for the same three dimensions, there is a 53 point differential, on average, in Employee Net Promoter Score. Organizations scoring in the top quartile carry an average eNPS of 46.9, whereas those in the bottom quartile average -6.0. This is a significant variance, which differentiates underperforming from high performing organizations.



Each organization can utilize individual results to drive improvement throughout the 12 dimensions. Globally, Deutser analysis shows that a focus on Vision + Values, Leadership and Team Capabilities makes the largest impact on employee engagement.

CPI PRESCRIPTIONS FOR EMPLOYEE ENGAGEMENT



CONCLUSION

Organizational success is a multifaceted achievement, developed through internal and external endeavors. Our philosophy is that an engaged workforce, one rallied around a common cause, is fundamental to that achievement. The Employee Net Promoter Score, the single-question indicator of engagement, is an accurate heat check of employee sentiment toward our organization and should be used on an ongoing basis. Understanding the percentage of promoter, detractor and passive employees within

An engaged workforce is vital to organizational success.

our ranks is the first step in understanding when and where we should take action.

When it comes to what action we need to take, the Clarity Performance Index directs us toward which aspects of the 12 dimensions of organizational performance we should hone and develop to get to our eNPS goal. On average, Vision + Values, Leadership and Team Capabilities have a more significant effect on an organization's engagement levels. Utilizing eNPS as a recurring indicator

and the CPI as a way to unpack those results helps organizations navigate toward long-term performance growth and overall employee engagement.

The Deutser Clarity Institute is a think tank, idea accelerator and learning lab located in Houston, TX. We publish research and quarterly business trend reports based on work conducted in industries across the globe.

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