

QuickView Leadership Series

Helping you navigate the leadership landscape

.....



Employee Engagement: Has It Been a Bull Market?

by Jennifer J. Deal, Ph.D., Sarah Stawiski, Ph.D.,
and William A. Gentry, Ph.D.

Issued July 2010



Center for
Creative
Leadership®

A Center for Creative Leadership Report
sponsored by Booz Allen Hamilton

Employee Engagement: Has It Been a Bull Market?

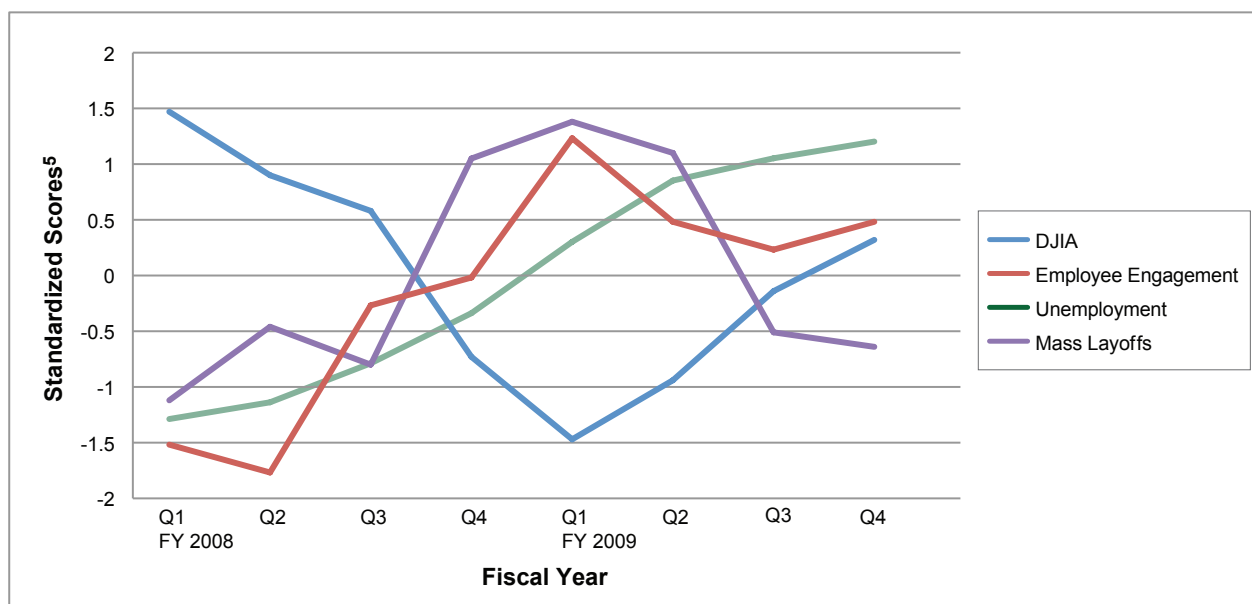
Leaders have been concerned about employee engagement¹ during the recession—and for good reason. Mass layoffs, pay freezes, furloughs, cuts in benefits, fewer people to do the work, and general instability all seem likely to make people less engaged in their work, as well as less happy overall. Leaders acting on this typical assumption may be missing the true engagement challenge that is coming in the years ahead.

The Center for Creative Leadership (CCL®) finds that declining employee engagement has been less of an issue than expected over the past two years.² Data from CCL's World Leadership Survey show that employee engagement actually increased when the Dow Jones Industrial Average (DJIA) was down³ and layoffs were up.⁴ (Yes, you read that correctly.)

What the Data Tell Us

In Figure 1, we see the trend of employee engagement plotted alongside several economic indicators—the DJIA, layoffs, and the unemployment rate—over the course of the last eight quarters.

Figure 1 | Employee Engagement and Economic Conditions, 2008–2009



¹ Engagement in this report is defined as satisfaction with job and commitment to the organization.

² Our data show that, from a statistical perspective, engagement has changed very little over the past eight quarters. The only statistically significant difference detected was between Q2 2008 and Q1 2009 (when the Dow Jones Industrial Average [DJIA] was at its lowest point and engagement was at its highest).

³ Quarterly averages provided by Barron's http://online.barrons.com/public/page/9_0210-qdjindav.html.

⁴ Unemployment and layoffs provided by the Bureau of Labor Statistics (BLS). According to BLS, "mass layoffs" is the number of separations (separating a person from a job) resulting from layoffs of at least 31 days in duration that involve 50 or more individuals from a single employer filing initial claims for unemployment insurance during a consecutive 5-week period.

⁵ All indicators were calculated to z scores, a common way of standardizing data so that data from more than one scale can be compared.

Figure 1 highlights several important findings:

- 1) American workers were actually more engaged at the peak of the economic crisis (see Q1 2009) than they were before it began (see Q1 2008).
- 2) American workers are as engaged in their work now as they were at the beginning of 2008.
- 3) The pattern of engagement is the reverse of the pattern of key economic indicators.⁶ As the DJIA was falling, engagement was on the rise. In the same quarter that the DJIA reached a two-year low, engagement reached a two-year high.
- 4) The pattern of engagement most closely resembles the pattern of mass layoffs; that is, the more layoffs occurring throughout the workforce, the more engaged people became in their own work.

These findings are consistent with data collected over the past two years (Q1 2008–Q4 2009) showing that employed people have actually reported higher levels of overall well-being during the depths of the recession than they did before it started.⁷

But Doesn't Work Engagement Decrease During Difficult Economic Conditions?

People may think so, but the World Leadership Survey data show that this assumption is not always accurate. So, why would engagement rise as the economy weakens? One explanation may be the effect of employees' perceived job mobility. When people believe they have a choice among many employment options, they may feel less committed to and satisfied with their current position. This explanation is consistent with a finding in psychology that is sometimes referred to as "the paradox of choice."

For example, one classic study found that people were actually more satisfied with a chocolate product when they had fewer options to choose from.⁸ What happens is that people end up liking their choice less when they must choose among a number of options because the

variety they are exposed to highlights what they are not going to get from their choice (since one option does not have everything). In contrast to this, people who had fewer options were happier with their choice because they did not spend a lot of time thinking about everything they did not get. Similarly, people who do not think they have a lot of job options may focus more on what their current position offers, rather than on what they are not getting that other positions might give them. Also, when the economy is bad, people may be fearful or uncertain about keeping their jobs and may work harder to keep them. Psychology tells us that we sometimes change our attitudes to accommodate our behaviors (for example, "I must be working late every night because I really love my job").

The Bottom Line

The issue businesses face now is not what to do to bring engagement back up—it is what to do to keep engagement high and to retain those key employees who are likely to think about leaving as the economy and job market improve.

The Retention Challenge

Looking at World Leadership Survey data from Q4 2009 (October–December), 15 percent of respondents agreed or strongly agreed that they would be "looking for a new job in the near future," with another 26 percent indicating that they were "neutral." Therefore, more than 40 percent of the sampled workforce is unsure about whether to remain in their current job. We know that employees who are less engaged are more likely to think about leaving the organization.⁹ We predict that organizations seeing a decrease in engagement are likely to have more issues with people voluntarily leaving the

The issue businesses face now is not what to do to bring engagement back up—it is what to do to keep engagement high

⁶ The correlation coefficient for the monthly averages of employee engagement and the DJIA is $-.357$, which is a moderate, negative correlation according to Cohen's classification (a commonly used rule of thumb in the social sciences).

⁷ Gallup Healthways Study: <http://www.well-beingindex.com/monthlyWBReport.asp>.

⁸ Iyengar, S.S. and Lepper, M.R. (2000). "When choice is demotivating: Can one desire too much of a good thing?" *Journal of Personality and Social Psychology*, 70, pp. 996–1006.

⁹ Schaufeli, W. B. and Bakker, A. B. (2004). "Job demands, job resources, and their relationship with burnout and engagement: a multi-sample study." *Journal of Organizational Behavior*, 25, pp. 293–315.

organization for more attractive opportunities. Therefore, the companies that keep their employees engaged will be more likely to retain their best talent in the coming months.

How to Keep Engagement High

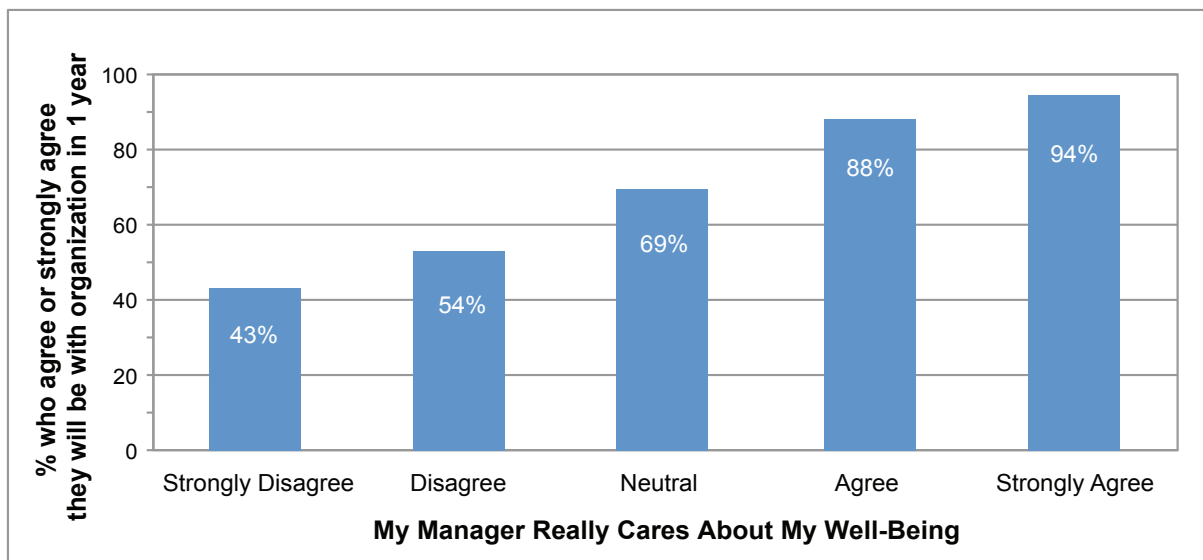
There are many strategies companies can utilize to keep their best employees engaged and motivated to stick around even as the economy recovers and the grass starts looking greener elsewhere. Obviously, fair and comparable pay structures and other attractive benefit packages need to be in place. Further, providing employees with the tools and resources they need to accomplish their job effectively can go a long way in keeping employees committed to the organization. Employees also want to continue learning; an organization is likely to lose its best people if it does not provide adequate (in the employee's opinion) opportunities for development, learning, and advancement.¹⁰ In addition, the work itself particularly affects engagement; research supports the idea that work that provides variety, challenge, and autonomy nurtures engagement.¹¹

It's All About the Leaders

Although all of the strategies discussed above are important, we know that engaging and retaining employees is really about how good leaders are. And we are not just talking about the strategic visioning done at the top level of an organization—we are talking about how good leaders are at all levels. We all know from personal experience how critical a good boss is, and plenty of evidence shows that people leave jobs because of their bosses more than because of the organization itself.¹²

In Figure 2, we see just how powerful a supportive manager can be. Figure 2 shows the percentage of employees who agree or strongly agree with the statement that they will “be with the organization in one year” as a function of how much they agree that their manager cares about them. We see that intention to stay at the current organization is dramatically higher for employees who strongly agree that their managers care (94 percent intend to stay) than it is for those who strongly disagree that their managers care (43 percent intend to stay).

Figure 2 | Effect of Manager Support on Intentions to Stay



¹⁰ Gentry, W. A., Griggs, T. L., Deal, J. J., and Mondore, S. P. (2009). "Generational differences in attitudes, beliefs, and preferences about development and learning at work." In S. G. Baugh and S. E. Sullivan (Eds.), *Research in careers: Vol. 1. Maintaining focus, energy, and options over the life span* (pp. 51-73). Charlotte, NC: Information Age.

¹¹ Macey, W. H. and Schneider, B. (2008). "The meaning of employee engagement." *Industrial and Organizational Psychology*, 1, pp. 3-30.

¹² Buckingham, M. and Coffman, C. (1999). *First, Break All the Rules. What the World's Greatest Managers Do Differently*. New York, NY: Simon & Schuster.

So, if it is truly important for an organization to keep engagement high and retain the employees it wants, the most efficient way to do that is to improve the quality of the managers at every level in the organization. Because it is unlikely organizations will actually remove less effective managers (and even if they could be removed, what is the likelihood they would be replaced by someone far superior?), organizations need to think about how to improve the quality of the managers in place.

It would be nice to think that a decree from top leadership on how everyone needs to be a good boss would

solve the problem. But that is not going to have the impact necessary to really increase engagement and keep talented people from exiting.

To keep engagement high, organizations need to focus on helping each and every manager at each and every level learn how to be a good coach, give effective feedback, and provide enough direction without micromanaging. Those are skills that leaders can—and need to—learn at every level. The economy will rise and fall, but good leaders at all levels are what keep an organization at the top.

About the Authors

Jennifer J. Deal, Ph.D.

Jennifer Deal is a Senior Research Scientist at the Center for Creative Leadership (CCL) in San Diego, California. Her work focuses on global leadership and generational differences. She is the manager of CCL's World Leadership Survey and the Emerging Leaders research project. In 2002 Jennifer co-authored *Success for the New Global Manager*, and she has published articles on generational issues, executive selection, cultural adaptability, global management, and women in management. Her second book, *Retiring the Generation Gap*, was published in 2007. An internationally recognized expert on generational differences, she has spoken on the topic on six continents (North and South America, Europe, Asia, Africa, and Australia), and she looks forward to speaking to Antarctic penguins about their generational issues in the near future. She holds a B.A. from Haverford College, and a Ph.D. in Industrial/Organizational psychology from The Ohio State University.



Sarah Stawiski, Ph.D.

Sarah Stawiski is a Postdoctoral Research Fellow at CCL. Sarah's work focuses on how small group processes and organizational culture influence decisions, behaviors and attitudes within organizations. Before coming to CCL, Sarah worked for Press Ganey Associates, a healthcare quality improvement firm. She holds a B.A. in psychology from the University of California, San Diego, and a M.A. and Ph.D. in applied social psychology from Loyola University Chicago.



William A. (Bill) Gentry, Ph.D.

Bill Gentry is a Senior Research Associate at CCL, the coordinator of internships and postdocs at CCL, and an adjunct assistant professor in the Leadership Studies doctoral program at North Carolina A&T State University. Bill graduated summa cum laude from Emory University and received his M.S. and his Ph.D. in applied psychology (area of concentration: industrial-organizational psychology) from the University of Georgia. His research interests include multisource (360) research, survey development and analysis, leadership and leadership development across cultures, mentoring, managerial derailment, and multilevel measurement.



This report is a result of the combined efforts of the World Leadership Survey Team members: Jennifer J. Deal, Ph.D., Marian Ruderman, Ph.D., Sarah Stawiski, Ph.D., William Gentry, Ph.D., Laura Graves, Ph.D., and Todd Weber, Ph.D.

Contact Jennifer J. Deal, Ph.D., Manager, World Leadership Survey, for additional information about this report at dealj@ccl.org and +1 858 638 8049.



About CCL

The Center for Creative Leadership (CCL®) is a top-ranked, global provider of executive education that unlocks individual and organizational potential through its exclusive focus on leadership development and research. Founded in 1970 as a nonprofit, educational institution, CCL helps clients worldwide cultivate creative leadership—the capacity to achieve more than imagined by thinking and acting beyond boundaries—through an array of programs, products and other services. Ranked among the world’s top providers of executive education by BusinessWeek and the Financial Times, CCL is headquartered in Greensboro, NC, with campuses in Colorado Springs, CO; San Diego, CA; Brussels, Belgium; Moscow, Russia; and Singapore. Its work is supported by more than 450 faculty members and staff.

CCL – Asia-Pacific

238A Thomson Road #16-06/08
Novena Square Tower A
Singapore • 307684
p: +65 6854 6000
f: +65 6854 6001
e-mail: cclasia@ccl.org

CCL – Americas

One Leadership Place
PO Box 26300
Greensboro, NC 27438-6300
p: +1 336 545 2810
f: +1 336 282 3284
e-mail: info@ccl.org

CCL – Europe, Middle East, Africa

Avenue de Tervueren 270
Tervurenlaan • B-1150
Brussels, Belgium
p: +32 (0)2 679 09 10
f: +32 (0)2 673 63 06
e-mail: ccl.europe@ccl.org

Other campus locations

Colorado – 850 Leader Way, Colorado Springs, Colorado, 80905, USA, p: +1 719 633 3891

California – 8910 University Center Lane, Tenth Floor, San Diego, California, 92122-1029, USA, p: +1 858 638 8000

Russia – CCL - CIS, 10, 8th Marta Street, Building 14, Moscow, 127083 Russia, p: +7 495 662 31 39

The Center for Creative Leadership is committed to a policy of equality of opportunity for the admission of all students regardless of race, color, creed, sex, age, national origin, sexual orientation, or disability, and does not discriminate on any such basis with respect to its activities, programs or policies.

Center for Creative Leadership, CCL®, and its logo are registered trademarks owned by the Center for Creative Leadership. ©2010 Center for Creative Leadership. All rights reserved.

About the Sponsor

Booz Allen Hamilton has been at the forefront of strategy and technology consulting for nearly a century. Providing a broad range of services in strategy and organization, technology, operations, and analytics, Booz Allen is committed to delivering results that endure. To learn more, visit www.boozallen.com.