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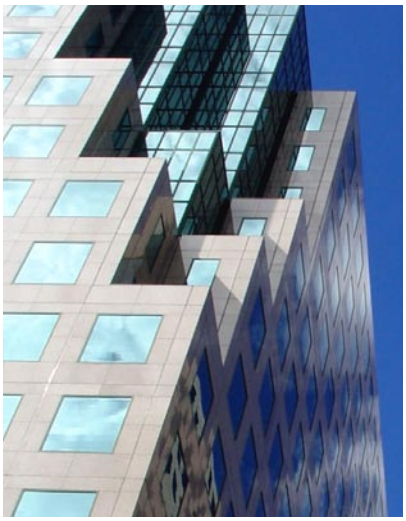


Canada | 2008/2009

Using **Continuous Engagement** to Drive **Business Results**

2008/2009

WorkCanada Survey Report

Watson Wyatt
Worldwide

2008/2009
WorkCanada Survey Report

Table of Contents

Executive Summary

Employee *engagement*[1] drives both individual and organizational performance. Companies with highly engaged employees find it easier to attract top talent, enjoy higher levels of employee *productivity* and experience lower turnover. As a result, these companies typically achieve better financial performance than others in their industries.

In today's uncertain times, employees are willing to listen to senior leaders and commit to and strive for business success. Organizations have a unique opportunity to reach out and engage all employees more fully in driving business results. Those that promote a meaningful and systemic dialogue with their employees create a partnership for success.

Managers can leverage key moments in the employee relationship to strengthen both *commitment* and *line of sight.* Senior leaders can create a culture of *continuous engagement* by setting a clear direction; focusing the enterprise on the customer; rewarding employees for performance; and communicating effectively regarding strategic objectives, the importance of the customer and the value of total rewards.

The employee attitudes for this and other 2008/2009 WorkAttitudes reports were collected from May 2008 to July 2008, before the financial crisis. We believe recent events in the financial markets reinforce our findings and conclusions. It is always beneficial for employers to keep engagement levels high; however, during periods of turmoil – when the organization is undertaking cost-reduction measures, consolidations or other dramatic change events that will profoundly impact employees – maintaining or enhancing employee engagement can be critical to the organization's return to profitability.

Organizations that do these things will retain employees during difficult times and more easily attract new people when business improves, ensuring a sustainable advantage in the global marketplace.

Key Findings

- The investment companies are making to increase commitment and line of sight is paying off: Employee engagement in Canada is rising. With the current economic crisis, however, there is more pressure than ever for companies to "do more with less." Investing in programs that drive employee engagement is vital during these uncertain times, particularly programs that focus on the core contributors – the large middle group of employees who represent approximately 60 percent of the typical company's workforce.
- There are striking differences between high-engagement and low-engagement employees. The highly engaged are 79 percent more likely to be top performers, 72 percent of them exceed performance expectations and they miss 20 percent fewer days of work. They identify more closely with the company, its products and its services and are, therefore, harder to lure away.

[1] Definitions of terms appear in the Glossary of Terms at the end of this report. Glossary terms are italicized the first time they appear in the text of the report.

- In the typical company, engagement starts high and declines with tenure. Throughout the employee relationship, however, there are *engageable moments* (e.g., onboarding and training, performance feedback and career discussions). Handling these moments well can help stop the decline.
- Beyond the engageable moments, companies must create a culture of continuous engagement built on strong strategic direction and leadership, intense customer focus, equitable rewards and effective internal communication. Companies that excel in these areas can improve individual and organizational performance and might deliver superior financial results.
- Employees are far more likely to be engaged when the company creates a compelling *employment deal,* lives up to the deal after the employee is hired and communicates it effectively throughout the employee relationship.

Engagement – a combination of commitment and line of sight. Committed employees are proud to work for their companies and motivated to help drive success. Line of sight is the focus and direction that guide employees in their day-to-day efforts so they know what to do to contribute to business success.

Engageable moment – a critical juncture for maintaining and building engagement.

Continuous engagement – using situations, practices and programs to drive engagement in a planned-out and ongoing manner.

Engagement: The Evolution

A hundred years ago, few companies, if any, worried about employee opinions, much less employee engagement. Talent was plentiful – almost a commodity – and filling jobs was relatively easy.

By the 1950s, companies were concerned with increasing employee productivity. Large companies such as IBM and the major auto manufacturers used surveys to gain insight into employee opinions and find out what motivated people.

The labour pool continued to expand from the 1960s through the mid-1980s as a result of the baby boom, increased labour participation by women and longer life expectancies. In the 1970s, however, the rate of world population expansion began declining. By the 1990s, the labour pool was slowing. Businesses started feeling the first pains of the talent shortage.

During this time, companies began to seek a deeper understanding of employees – working to gain insight into satisfaction levels. Through satisfaction surveys, companies hoped to find ways to make employees happier and, as a result, increase both productivity and retention.

By 2000, the focus had shifted to commitment. Companies wanted to measure commitment levels and determine how to motivate employees. The idea was that motivated employees are productive employees – and motivated employees are harder to lure away.

Today, companies recognize that commitment is important to business success, but it isn't enough. The successful organization must also provide its employees with line of sight – ensuring they understand the organization's business goals, the steps that must be taken to achieve those goals and how they can contribute to that effort.

Watson Wyatt research shows this combination of commitment and line of sight leads to engagement. Once employees are engaged, companies must enable them with appropriate training, resources, tools and equipment and demonstrate values that resonate. What's more, companies must communicate those values clearly. Simply posting a value statement – particularly if that statement doesn't appear genuine – can actually disengage employees.

Survey strategies have also evolved, and employee surveys have become an important tool in gaining insight into what engages employees and encourages them to put forward their best effort at work every day. More than two-thirds of WorkCanada participants say their companies have conducted an employee survey in the last three years.

Introduction

For a number of years, the shortage of critical-skills talent has hampered Canadian organizations in their efforts to execute their business strategies. While the current economic troubles might lighten the attraction/retention burden, the situation is likely to be temporary. When the economy rebounds, senior leaders and HR professionals will once again struggle to find and retain top talent. Moreover, even in a down economy, companies are challenged with finding people with the right skills to fill critical jobs.

Regardless of economic conditions, organizations must find ways to retain employees and motivate them to be as productive as possible. Increasing engagement levels is vital to winning the war for talent and successfully navigating difficult times. Companies with highly engaged workforces have lower turnover, which keeps recruiting and training costs in check. They also enjoy lower absenteeism and their employees are more productive.

Watson Wyatt research suggests engaging employees more fully can improve financial performance: Highly engaged employees work at organizations with superior financial performance, measured by *total returns to shareholders* (TRS), *market premium* and employee productivity. In short, high-engagement employees can help organizations generate superior financial performance.

WorkCanada data shows engagement is high in companies with strong strategic direction and leadership, intense customer focus, highly effective communication and equitable rewards that align with business strategy. These companies also develop an employment deal that attracts people with the right competencies, and they clearly communicate and live up to that deal throughout the employee's tenure.

Engageable Moments

In the typical organization, engagement levels start high for all employees and then taper off during the early years on the job. Some combination of things happen or do not happen – during onboarding, at some point in the critical first year, perhaps at the first performance review or beyond – to cause the employee's engagement to wane.

WorkCanada research suggests, however, there are engageable moments throughout an employee's tenure. Companies that consciously take action at these critical junctures can break the cycle that diminishes engagement and individual productivity. Companies that fail to do so must deal with a negative impact on organizational performance due to lower productivity.

Engagement: What Does It Cost When Engagement Drops With Tenure?

Our evidence shows engagement levels tend to decline with tenure. The engagement score of the typical new hire (with less than one year of experience) is more than 13 percent higher than that of the typical employee with longer tenure. What does this 13 percent decline cost an organization?

One way to value the decline is to compare the impact of employee engagement to the impact that an investment in physical or financial assets has on productivity. Based on our analysis, a 13 percent decline in the engagement score has the same expected impact on employee productivity as a more than 0.7 percent decline in assets per employee. The typical TSX 300 firm has $930,000 in assets per employee and would, therefore, have to invest in excess of $6,800 per employee to compensate for this impact on productivity. The typical TSX 300 firm employs approximately 2,500 people, bringing the total investment to more than $17 million.

Similar regression analysis shows that after controlling for industry, firm size and capital intensity, this 13 percent decline in engagement is associated with a 2.1 percent reduction in market value. The typical firm in the TSX 300 has a market value of $1.9 billion. The reduction in engagement over tenure is thus associated with a $40 million reduction in expected market value.

Identifying the Engageable Moments

There are many touch points between the company and the employee. Each one represents an engageable moment – an opportunity to increase commitment, line of sight or both, thereby strengthening an employee's level of engagement. Missing that opportunity diminishes engagement.

Engageable moments occur as a result of formal HR programs such as onboarding, performance management, communication and annual benefits enrollment. They can also be driven by major events such as mergers and acquisitions, restructuring, downsizing and other significant changes. Well-designed, well-implemented HR programs backed by managerial training and support from HR help managers and supervisors leverage these moments to strengthen engagement.

Informal and impromptu encounters can also represent engageable moments. An upbeat conversation between an employee and a senior executive at the company's annual picnic is one example.

Companies that seize the opportunities offered by engageable moments can improve the employment experience and benefit from higher engagement, which, in turn, drives individual and organizational performance.

In this 2008/2009 WorkCanada study, we start with a look at the state of engagement in Canada. Next we describe how high- and low-engagement employees differ in their attitudes and day-to-day experiences on the job. Then we examine strategies for increasing employee engagement along with individual performance. Finally, we look at the value of segmenting the employee population and developing programs that target important segments to increase the level of engagement enterprisewide.

State of Engagement

The WorkCanada studies offer insight into the factors that currently have the most significant impact on employee engagement in Canada. A comparison of the current study with previous ones reveals engagement trends.

The good news is engagement scores in Canada are rising. Many companies might find their engagement scores are increasing even more as employees turn inward in response to tough economic conditions. The challenge is to keep them engaged.

In Canada, as in other parts of the world, the top factors that influence engagement are strategic direction and leadership, customer focus, rewards (compensation and benefits) and employee communication. The study shows companies are falling short with respect to employee communication. Less than 50 percent score favorably on questions related to communication in such key areas as senior management taking an active role in communicating to employees and explaining the reasons behind major decisions.

Strategic direction and leadership is another area needing improvement. While approximately 60 percent of survey participants responded favorably to questions regarding confidence in long-term business success and senior management's ability to grow the business and make needed changes, nearly 40 percent responded unfavorably. These numbers are likely to have been made worse by this recession.

This year's survey also included questions about the employment deal (i.e., a company's offering to employees, including such components as pay, benefits, opportunities for advancement, and training and education). Responses show that a compelling deal strongly influences engagement among Canadian employees.

In recent years, the talent shortage has been a major factor in driving the importance of the employment deal. While today's recessionary environment might reduce some of this pressure, recessions are typically short lived, and key talent issues will likely continue to challenge organizations.

The shortage of people with critical skills (e.g., engineers, health care professionals, tradespeople and scientists) is particularly hard on companies that don't have effective talent management strategies in place. Business leaders are encouraging the government to adapt immigration policies to allow more people with critical skills to enter and work in Canada. Immigration is also having an impact, forcing companies to deal with a much more diverse workforce.

The WorkCanada study shows companies have much work to do in developing and articulating an attractive employment deal. Watson Wyatt expects this to be an even greater challenge in the current economic climate, particularly in some industries. Just more than half of respondents say their companies do a good job of communicating the employment deal in induction and orientation materials. About the same number say the company lives up to the deal after a new employee is hired.

Companies that invest in programs to strengthen strategic direction and leadership, customer focus, rewards, employee communication and the employment deal position themselves to compete effectively and meet their business goals. Companies that don't pay attention to these areas are likely to lose critical talent and market share along with it.

Attitudes and Experiences – What Sets the Highly Engaged Apart

The study uncovered striking differences between high- and low-engagement employees – differences that underscore the importance of building a highly engaged workforce. The high engaged are almost 80 percent more likely than low-engagement employees to be top performers. Seventy-two percent of them exceed expectations in their performance reviews. Moreover, they miss 20 percent fewer days of work.

As Figure 1 shows, the high engaged identify more closely with the company. Career development is also more important to them, and they are optimistic about the opportunities ahead of them. They are eight times more likely than low-engagement employees to say the company does a good job of providing opportunities for advancement.

Figure 1 | The High Engaged Identify More Closely With the Company

	High Engagement	Low Engagement
Passionate about or likes what the company stands for	89%	33%
Cares about the job, not what the company stands for	6%	28%
Doesn't identify with the company or the job	3%	20%

Engageable Moments: Before Recruitment

People are touched by a company's brand image before they ever consider becoming employees. A positive consumer experience is an engageable moment. It reinforces positive perceptions of the brand and affects the company's reputation as an employer. Companies with strong brands that resonate with the consumer often find it easier to attract and retain top talent.

More than one in 10 survey participants rated identification with the company's products as a top reason for joining the company. The importance of this factor holds true across age groups and job levels. Directors and senior managers rated this factor even higher than individual contributors.

As Figure 2 shows, high-engagement employees are nearly twice as likely to use internal resources for career advice, while low-engagement employees are more than twice as likely to use external sources. Very few employees – whether highly engaged or not – use company-provided resources and tools.

The high engaged are more resilient with respect to organizational change and difficult times, such as the global economic crisis that began in October 2008. In companies that underwent change during the 12 months preceding the study, 82 percent of them – compared with 7 percent of low-engagement employees – said the changes were well-implemented.

With the right recruiting and hiring practices, can organizations simply hire more high-engagement employees? Watson Wyatt research indicates that most employees start with higher engagement levels. It's how the company behaves at critical junctures that either builds strong engagement or pushes engagement into a downward spiral that results in the loss of a potential high performer. Figure 3 shows that high- and low-engagement employees join a company for virtually the same reasons, but their reasons for leaving differ.

High-engagement employees have a substantially different employee experience than low-engagement employees. Figure 4 shows a definite pattern of senior leaders and supervisors paying more attention to the highly engaged, listening to what they have to say and taking action on their input. Each interaction or event in the figure represents an engageable moment. If a manager doesn't handle these moments well, employees are more likely to move from engaged to disengaged.

As the figure shows, high-engagement employees interact more frequently with supervisors and receive more feedback on performance. Perhaps supervisors and managers tend to pick the highest performers for the best training opportunities and the most interesting and high-visibility assignments.

Figure 2 | Company-Provided Resources and Tools Are Not Ranked Highly as Sources for Career Advice

	High Engagement	Low Engagement
Immediate supervisor, people within workgroup, contacts within the company	56%	28%
Employee's research on the Internet or other sources and external network of contacts	30%	69%
Company-provided resources or tools	14%	4%

Figure 3 | Why People Join and Leave a Company

Reasons to Join	
High Engagement	**Low Engagement**
1. Nature of work	**1.** Nature of work
2. Job security	**2.** Job security
3. Employer reputation	**3.** Base pay
4. Base pay	**4.** Length of commute
5. Career development opportunities	**5.** Health care benefits
6. Health care benefits	**6.** Work/life balance
7. Work/life balance	**7.** Relationship with coworkers

Reasons to Leave	
High Engagement	**Low Engagement**
1. Stress levels	**1.** Stress levels
2. Base pay	**2.** Base pay
3. Work/life balance	**3.** Trust/confidence in management
4. Promotion opportunity	**4.** Work/life balance
5. Length of commute	**5.** Promotion opportunity
6. Career development opportunities	**6.** Career development opportunities
7. Incentive pay opportunity	**7.** Relationship with supervisor/manager

Figure 4 | Findings Show a Pattern of More Frequent Interaction, Feedback and Opportunity for the High Engaged

	High Engagement	Low Engagement
Receive communication from senior management at least weekly	53%	23%
Get supervisor feedback on performance at least weekly	47%	23%
Are more likely to report constructive changes occurred as a result of a survey	66%	5%

Strategies for Continuous Engagement

The urgency of the talent shortage in some industries makes it vital that companies adopt a "tomorrow starts today" philosophy with respect to re-engaging their employees. The 2008/2009 data for Canada shows that how engaged (or disengaged) employees are depends on how effectively the enterprise:

1. Ensures senior leaders set a clear direction
2. Focuses all levels of employees on the customer
3. Compensates people based on performance and customer focus
4. Clearly communicates corporate strategy and goals, the importance of the customer and the value of the total rewards package

Companies that excel in these areas also have high levels of engagement, high productivity, low turnover and superior financial performance. This data indicates investing in programs that strengthen these areas can potentially boost engagement and improve financial performance.

As they work to drive engagement, organizations must understand that engagement cannot be viewed as a project or an objective. It must be the foundation of company culture and prevail in every internal relationship. The responsibility for integrating engagement into the culture rests with the leadership of the organization.

#1 – Strong Strategic Direction and Leadership

Employees look to senior leaders for insight into how well the company is performing today and what the company's prospects are for the future. When direction and leadership are strong, employees trust senior management to make sound business decisions that will

Engagement: Strategies for Boosting Productivity

Engaged employees are productive employees. The highly engaged are almost twice as likely to be top performers and about 75% of them exceed or far exceed expectations at performance review time. These employees are the value creators in every organization. So when senior management issues a mandate to improve productivity by 10 percent, it's natural for managers and supervisors to turn to their top performers to ratchet up the productivity numbers.

That approach, unfortunately, can have disastrous results. High-engagement employees represent only about 10 percent of the typical company's workforce. It's unrealistic to expect such a relatively small group to carry the weight of the latest and greatest productivity initiative. Moreover, by pushing top performers to deliver even more while letting the vast middle "off the hook" with respect to productivity increases, companies run the risk of turning value creators into aligned skeptics or disengaging them completely.

Companies can get a bigger return by investing in productivity initiatives that target the core contributors, who represent approximately 60 percent of the workforce. Some of them are already performing at relatively high levels, but they have more room for improvement than people who are already operating at peak performance. The likelihood of getting this large group to increase productivity by 10 percent – or more – is much higher, and the impact is much greater.

Bottom line: By increasing commitment and line of sight for core contributors, companies stand to achieve substantial gains in individual performance and productivity. That, in turn, drives up productivity and performance of the organization as a whole.

enable the company to compete and grow. By setting a clear direction, communicating expectations, soliciting feedback from employees and ensuring everyone is delivering what is expected of them, companies can create a culture of continuous engagement.

Scores have risen with respect to whether management considers the well-being of employees when making important decisions and whether it does a good job of explaining the reasons behind major decisions; however, scores are still considerably below 50 percent, indicating employee trust and confidence levels remain low. By ensuring they clearly convey the rationale behind decisions, senior leaders can foster a sense of inclusion among employees and demonstrate to them that they "have a stake in the game," which can translate into higher commitment and line of sight.

Strong strategic direction and leadership are particularly important during turbulent times or periods of change, such as mergers and acquisitions, downsizing, rapid growth, management changes, restructuring of the organization or modifications to reward programs. Some employees will be negative or cynical even if senior leaders communicate effectively. The majority, however, are willing to listen.

Companies that reach out and communicate effectively during these times can continue to engage their employees. To do so, they need a communication plan for candidly explaining the situation and providing insight into economic or business issues that drive decisions. In the case of change, if management conveys how the change will benefit the workforce, employees are more likely to buy into and support the change. Communication about the change needs to occur over time and through multiple channels, including electronic dissemination and face-to-face meetings.

Strategies for Strengthening Customer Focus

- Keep the customer front and center in all employee communication programs.
- Make sure all employees – including those who don't have direct customer contact – know how what they do is critical to delivering on what the company stands for to its customers.
- Implement processes and tools that empower employees to deliver on what the company stands for in the marketplace.
- Set goals around customer service and satisfaction, and link compensation to achieving those goals.
- Give employees the decision-making authority to meet the needs of customers.
- Promote a spirit of collaboration and cooperation across groups to ensure customer-facing groups receive the support they need to deliver superior service.

To better assess the impact of change, Watson Wyatt added questions to the 2008/2009 survey to collect data on attitudes toward downsizing, restructuring, growth and expansion, mergers and acquisitions, bankruptcy and outsourcing of jobs. Employees whose companies underwent a major change in the previous 12 months were also asked how well the changes were implemented. Eighty-two percent of high-engagement compared with 7 percent of low-engagement employees responded favorably.

Watson Wyatt research shows that when an organization goes through a major change, if employees perceive the change was handled poorly, trust and confidence levels drop significantly. If they perceive the change was handled well, favorability ratings can rise.

#2 – Intense Customer Focus

Companies that put the customer first enjoy higher levels of customer satisfaction and loyalty. When they align this customer experience with the employee experience, they create employees who are passionate about what the company stands for. Passion and engagement go hand in hand.

Companies are improving with respect to customer focus, particularly in two important customer focus areas: management's commitment to customer service and company decisions being based on what is best for the customer. This level of improvement will provide a distinct advantage, helping companies that achieve it sustain the brand despite intense competition and tough economic times.

It's interesting to contrast this perception with the low favorable rating regarding whether the company considers the well-being of employees when making important decisions. Some employee segments might see strong customer focus as a negative, interpreting it to mean the company doesn't care about employees.

High-engagement employees don't seem to have this negative a view. Eighty-six percent say company decisions are based on what is best for the customer, and 83 percent say management considers the well-being of the employee when making important decisions. For low-engagement employees, the scores are 23 percent and 5 percent, respectively.

Line of sight appears to be high with respect to customer focus, with more than three-quarters of participants stating it is clear to them how the work they do affects customers. These scores indicate better alignment between the external and internal company brand. By working to strengthen this alignment even more, companies can further increase engagement – and individual productivity along with it.

#3 – Equitable Rewards

When employees believe they are compensated fairly, they are more engaged. Canadian companies need to look closely at this driver because employee perceptions in this area are low. Only about half of employees responded favorably when asked if they are paid fairly compared with people in other companies who hold similar jobs.

Companies are doing a better job of differentiating pay for high performers, which is even more important during difficult economic times or periods of major organizational change; however, they are not clearly communicating this differentiation. Programs designed to reward for performance are not likely to be effective unless employees understand the company differentiates pay for its top people and helps employees understand what they need to do to benefit from that differentiation.

Watson Wyatt research shows it is important to have a competitive compensation and benefits offering and to communicate the value of the offering effectively. As Figure 5 shows, employee attitudes with respect to rewards are more favorable in companies that communicate well. This suggests companies that are already paying market rates should focus on communicating the competitiveness of their compensation packages and acting on intrinsic instead of extrinsic elements of compensation to improve engagement and retention.

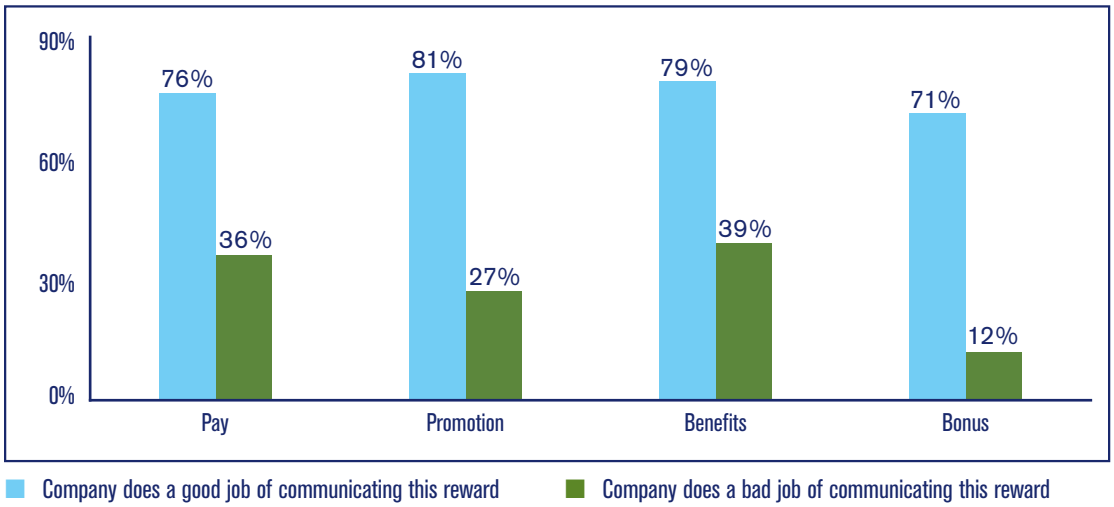
Moreover, companies need to ensure they communicate the value of their total rewards package, which includes not only compensation and benefits but also work environment, culture, development opportunities and training. This expanded view helps companies differentiate themselves in locales where salaries are rising rapidly. It also addresses the interest of high-performing employees in such benefits as career advancement and training and development.

Strategies for Enhancing Strategic Direction and Leadership

- Clarify the company's strategy and goals and provide frequent updates on progress.
- Don't hesitate to make changes that will enable the company to compete effectively and explain the rationale behind the changes.
- Clearly communicate goals to all employees and link individual goals to corporate goals.
- Continuously reinforce goal-related messages with frequent, candid communication, particularly during difficult times.

Finally, as companies compete in the war for talent, offering higher and higher salaries to attract new employees, they need to pay attention to compensation for employees who have been on board for some time. These people need to be rewarded for their loyalty. Otherwise their perception of fairness with respect to compensation might decline.

Figure 5 | Employee Perceptions of Rewards Are More Favorable When the Company Clearly Communicates the Value of Rewards



#4 – Effective Communication

WorkCanada data continues to show communication makes a positive difference in employee engagement. Effective communication from senior management fuels excitement about the company's future and its progress toward goals.

Compared with low-engagement employees, the highly engaged have much more favorable perceptions of their companies' communication practices.

- Eighty-five percent of them say the company does a good job of seeking the opinions and suggestions of employees compared with 7 percent of low-engagement employees.
- Ninety percent compared with 24 percent say the immediate supervisor keeps them informed about management decisions.
- Eighty-seven percent compared with 10 percent believe their companies do a good job of encouraging the sharing of information and ideas across the company.

The research indicates many employees are uncomfortable expressing opinions that differ from others' opinions. It suggests that people are becoming concerned about conflicts with others or perhaps they are becoming somewhat fearful about standing out or taking the risk associated with speaking up. This

Strategies for Effective Rewards

- Adopt a total rewards philosophy and leverage it to shape your *employee value proposition* (EVP) and employment deal.
- Create a competitive compensation and benefits offering and clearly communicate the value of the total package and how it compares with what other companies offer.
- Work with managers and supervisors to make the link between performance and pay clear as part of the performance evaluations.
- Examine how performance is determined and make adjustments to ensure that top performers are rewarded appropriately.
- Reward long-time employees for their loyalty by ensuring their compensation aligns with that of newly hired employees.

Engageable Moments: Career Development

When handled effectively, career development discussions can be engageable moments. These discussions can be tricky because opportunities for advancement diminish as the employee moves up the corporate ladder. Companies need to offer employees enrichment opportunities that enable them to continue learning and growing and that keep their jobs meaningful and interesting. They also need to develop recognition programs that acknowledge employees' contributions and commitment.

Interestingly, for midcareer employees – those with 5–20 years of tenure – effective career development discussions have a greater impact on engagement than a promotion. Employees who have not been promoted but who have valuable career discussions with their supervisors are more than twice as likely to be highly engaged as employees who are promoted but do not have valuable career discussions. Companies that fail to ensure promotions are accompanied by effective career development dialogue are missing an important opportunity for driving engagement.

WorkCanada data indicates high-engagement employees perceive that the company offers more opportunities for advancement. They are having more career discussions with their supervisors, and those discussions are perceived as beneficial. They know what career paths are open to them and know what they need to do to advance. This longer-term perspective indicates a commitment to stay, making them valuable employees who will continue to deliver high individual performance.

attitude might be related to concerns about the weak economy and contingency plans that senior leaders might be putting in place to address an economic downturn – or to address other major business changes.

High-engagement employees are, not surprisingly, much less concerned about making their opinions known. Ninety-five percent are comfortable voicing opinions within their work groups, and 94 percent are comfortable expressing opinions that are different from their coworkers' opinions. For low-engagement employees, favorable scores were 38 percent and 32 percent, respectively.

This data suggests one of the characteristics that make high-engagement employees so valuable to the organization is they are willing to speak up and voice their opinions. Because they are passionate about the company, they aren't afraid to point out areas that need improvement. Companies can encourage all employees to provide this type of information by ensuring they have channels through which employees can offer suggestions and disagree with current policies. Recognizing people for speaking out and training managers to facilitate group discussions can also be beneficial.

Strategies for Enhancing Communication

- Have senior leaders take an active, visible role in communicating with employees.
- Explain the reasons behind major decisions and increase the level of communication during organizational change.
- Review communication processes to ensure information flows vertically from the top down and from the bottom up as well as horizontally.
- Solicit employee feedback, particularly from employees who disagree with current practices and processes. Provide opportunities for anonymous feedback.
- Ensure processes are in place and managers are trained to encourage differing viewpoints, and celebrate successes that resulted from dissenting views.
- Act on employee feedback, showing trust in employees and engaging them more fully.
- Measure communication effectiveness using a mix of measures that report on activity, awareness and understanding, and behavior change.

Engageable Moments: Performance Management

Annual performance reviews provide a valuable opportunity for assessing progress toward the previous year's goals and for setting new goals for the year ahead. Effective performance management, however, encompasses far more than just these annual meetings. It creates numerous engageable moments during which managers and supervisors have the employee's full attention as they interact to:

- Establish realistic and achievable goals
- Link goals to the business to increase line of sight
- Track progress toward goals
- Discuss strategies for improving performance

High-engagement employees are more than twice as likely as low-engagement employees to say their performance goals are realistic and achievable. They are nearly four times more likely to say their immediate supervisor coaches them to improve their performance. Sixty-one percent of them say the link between job performance and pay is clear compared with 13 percent of low-engagement employees.

Simply having clearly specified performance management processes isn't enough. Processes need to be applied fairly and consistently. Both the frequency of performance discussions and the quality of those discussions affect engagement levels. High-engagement employees receive more frequent performance feedback (both formal and informal). They are nearly twice as likely as their low-engagement colleagues to receive performance feedback daily or weekly.

This data suggests companies can create more opportunities for engageable moments by ensuring supervisors and managers have more frequent performance discussions with their direct reports; however, frequency is only part of the equation. High-engagement employees are four times more likely to say performance reviews have helped them improve their performance compared with low-engagement employees.

Engageable Moments: The Negative Performance Review

Often managers and supervisors are uncomfortable with giving mediocre and poor performance reviews. They worry about hurting an employee's feelings or causing the employee to disengage even more.

Managers who avoid an employee after a negative review compound the problem. Instead, they must turn the situation into an engageable moment by exploring the causes of poor performance and developing strategies for improvement. After the review, the supervisor or manager should work closely with the employee to provide additional coaching to improve skills and strengthen line of sight. Additional training can ensure the employee has the right skills for the job.

These types of efforts are the foundation of effective performance management. Companies that help their managers and supervisors understand this and teach them how to conduct reviews – even negative ones – can maintain and even increase engagement levels.

WorkCanada data shows 36 percent of employees who receive low performance ratings but perceive the review as helpful and say the manager coaches them to improve are highly engaged. That's a greater percentage than employees whose performance exceeded expectations. Clearly a poor performance rating can be turned into an opportunity to drive engagement.

An Attractive Employment Deal

Top-performing companies create a compelling enterprisewide employment deal that is consistent with a total rewards philosophy. These companies integrate the deal into the workforce plan with the goal of attracting people with the competencies needed to execute business strategies. The employee value proposition (EVP), sometimes referred to as the employment brand, articulates the deal, clearly communicating what the company expects of the employee and what the employee can expect in return.

Top-performing companies also create an employee experience that is consistent with the customer brand promise. For example, a company that promises and promotes innovation to its customers also attracts innovative people and develops programs that encourage, communicate and reward employee innovation.

These top companies articulate the deal during recruitment and onboarding. Consequently, they do a good job setting expectations and building understanding. Throughout the employee's tenure, they reinforce the deal through internal communication and performance management, thereby strengthening line of sight. These efforts ensure employees understand the opportunities available, the expectations for company performance, and the need to link individual goals to organizational goals and establish appropriate performance objectives.

Top-performing companies not only align their customer and employee brand, they also align reward outcomes with reward promises and actual performance. When employees see that organizational and individual performance have a real impact on rewards, pay is differentiated according to performance and management follows through, they understand the company stands behind its promise. Senior management gains credibility and employee engagement rises.

While the deal is closely related to compensation and benefits, it encompasses far more than monetary rewards. Other important aspects of the deal include company culture, job security, company mission and values, corporate social responsibility and interpersonal relationships.

The data suggests that, overall, companies are not doing a good job in articulating the deal and creating an employee experience that is consistent with the customer brand promise. Sixty-eight percent of employees who have been on board for less than a year say the company aligns the employment deal with what the company stands for in the marketplace. That number drops to 53 percent and stays at that level for the first 10 years of employment. It drops again after 10 years to 49 percent.

Strategies for the Employment Deal

- Develop a compelling employment deal that attracts employees with the skill sets the organization needs to successfully execute its business strategies.
- Clearly articulate the deal during recruitment and onboarding to set expectations.
- Reinforce the deal through internal communication and performance management, thereby strengthening line of sight, clarifying expectations and ensuring employees understand the opportunities available.
- Link individual goals to organizational goals and establish appropriate performance objectives.
- Align reward outcomes with reward promises and actual performance.

Figure 6 | High-Engagement Employees' Perceptions of the Employment Deal Are Far More Favorable Than Those of Low-Engagement Employees

	High Engagement	Low Engagement
Company has a reputation for providing a good employment deal	92%	14%
Company lives up to the employment deal after a new employee is hired	92%	16%
Company aligns employment deal with what the organization stands for in the marketplace	91%	15%

As Figure 6 shows, high-engagement employees are far more likely than those with low engagement to understand the employment deal, feel the company lives up to it and believe the company aligns the deal with what the organization stands for in the marketplace. Employees who rate their company favorably in all aspects of handling the employment deal are 23 times as likely to be highly engaged as employees who do not rate the company favorably in any aspects of handling the employment deal.

The Stress Factor

Although high-engagement employees tend to manage stress better than low-engagement employees, both segments cite stress as a leading reason for leaving a company. The shortage of talent, a weakening economy, globalization, industry-specific challenges and many other factors are forcing companies to "do more with less." Supervisors and managers often turn to their top performers to make this happen, pressuring them to carry more of the productivity burden. The additional stress can cause burnout, disillusionment and disengagement, particularly if the company doesn't do a good job of handling poor performers.

Both high- and low-engagement employees rank stress as the top reason for leaving a company. Both cite work group environment and how the job is defined as among the top causes of stress. Beyond that, there are significant differences in what causes stress for each group. The highly engaged are stressed by things that prevent them from working effectively, including:

- Unclear or conflicting performance expectations
- Inefficient work processes and tools
- Company culture that tends to avoid accountability and assign blame

For low-engagement employees the causes of stress are more subjective:

- The supervisor, including lack of support and feedback from the supervisor
- Leadership, including lack of confidence in the organization's direction and lack of credibility

High-engagement employees who feel the company does not do a good job of helping poor performers improve are more likely to say stress is a result of the work environment – by 23 percentage points.

How do companies translate this insight into action? Motivate both segments by implementing programs that enhance the work group environment.

- To keep high-engagement employees on board, companies must focus on programs that strengthen the performance management process so it improves poor performers and deals appropriately with employees who fail to improve.
- For low-engagement employees, companies must work with supervisors to provide more frequent feedback and ensure these employees receive clear direction from senior leaders.

Targeting Employees With the Right Programs

As companies develop programs, it is important to keep in mind that not every person is motivated in the same way.

At the same time, companies with thousands of employees can't develop an individual program for every single employee. The key is to understand the employee population comprises many segments – high engagement and low engagement, skeptics and value creators, baby boomers and Generations X and Y, new hires and those with many years onboard. Understanding the differences among these segments enables companies to develop employee programs that retain the right segments and increase engagement and individual performance.

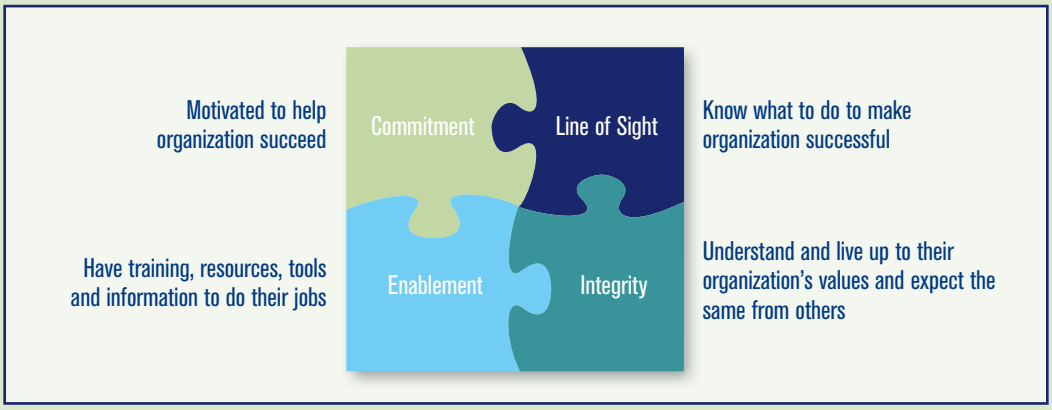
What is the best way to segment employees? The answer reflects the organization and what it is trying to accomplish. If the goal is to increase the number of engineers or salespeople – or employees in some other job category – segmentation by job type might be appropriate. If the goal is to recruit and retain employees who will be critical to the organization's future success, it might be useful to segment employees based on the elements of the EVP that have the greatest impact on attracting and retaining them. This variation on classic marketing segmentation can help refine the employment deal and attract more of those types of employees through recruitment programs.

Engagement: The Foundation for Employee Effectiveness

Figure 7 shows the four factors that are essential to creating employee effectiveness, but it's the first two – commitment and line of sight – that lay the foundation for superior results.

- When commitment is high, employees are motivated to help the organization succeed.
- When line of sight is high, employees know what to do to make the organization successful.
- When *enablement* is high, employees have the training, resources, tools and equipment to do their jobs.
- When *integrity* is high, employees understand and live up to their organization's values and expect the same from others.

Figure 7 | Watson Wyatt's Four-Factor Model of Employee Effectiveness



Global WorkAttitudes

Since the initial WorkUSA survey in 1987, Watson Wyatt Worldwide has been expanding the study's coverage to include employees around the world. Our research shows employee engagement and effectiveness are concepts that apply worldwide. The normative benchmarks from these studies are used in our global employee surveys.

The data we have collected provide organizations with insight into employee concerns and perceptions within individual regions as well as on a global scale. As a result, these organizations can make informed decisions about programs that drive employee engagement and effectiveness.

In previous years, the Watson Wyatt WorkAttitudes reports included WorkAsia, WorkCanada, WorkEurope and WorkUSA. In the 2008/2009 study, Watson Wyatt has expanded its global reach to include WorkLatinAmerica.

If the goal is to understand employee attitudes with an eye toward improving productivity, Watson Wyatt's Employee Segment Action Matrix (ESAM) model can provide insight that helps formulate effective programs for driving engagement. The ESAM model segments the employee population into five workforce groups: value creators, core contributors, aligned skeptics, lost believers and disengaged. Each segment represents a subset of workers along the continuum from high to low levels of commitment and line of sight. Figure 8 summarizes each segment's characteristics, individual performance levels and level of retention risk.

The core contributors are the largest group, representing approximately 60 percent of the typical company's workforce. Some of these people are already performing at relatively high levels. To be successful, companies need to implement programs that target these employees and move them up to higher levels of engagement. Doing so improves individual performance, which translates into higher productivity overall. (See the "Engagement: Strategies for Boosting Productivity" sidebar on page 10 for additional information.)

Through surveys and analysis, companies can determine how many employees they have in each segment and gain insight into the factors that are most likely to increase engagement for those segments. Armed with this knowledge, management is positioned to better address the explicit needs of key employee groups and invest accordingly. Segmenting employees allows companies to implement HR programs in a more targeted and cost-effective way to maximize return on investment and provides insights that help managers manage people more effectively.

Figure 8 | Characteristics, Performance and Longer-Term Retention Risk of Employee Segments

Segment	Characteristics	Individual Performance	Retention Risk
Value Creators	■ Contribute significantly to organizational success ■ Organizations should maintain this group's high engagement	High	Low
Core Contributors	■ Solid, consistent, "everyday" performers ■ Typically the largest employee segment ■ Organizations should look to move them to be value creators	Medium	Medium
Aligned Skeptics	■ Medium to high line of sight but low commitment ■ Organizations should focus on programs to build trust, promote commitment	Medium	High
Lost Believers	■ Low line of sight but high commitment ■ Organizations should focus on programs that provide direction	Low	Low
Disengaged	■ Low line of sight and low commitment ■ Organizations should determine appropriate level of investment	Low	High

Conclusion

In their pursuit of the right talent – in both good economic times and bad – organizations should always remain aware of the need to win the hearts and minds of employees. An investment in programs that drive employee engagement is a wise one. If the concept or philosophy of employee engagement exists only as an objective of the HR function, however, and does not broaden out to line managers, the organization will not achieve its goals. Employee engagement strategies should be a part of the core values or culture of the organization.

Measuring engagement levels is vital, particularly when the organization is challenged with doing more with fewer resources, coping with a recessionary environment and navigating major changes. An environment that promotes continuous engagement through strong strategic direction and leadership, intense customer focus, highly effective communication and equitable rewards provides a framework for keeping employees committed and focused. Engageable moments become the steps line management can take to maintain engagement and drive it to higher levels.

One-size-fits-all programs won't work. Effective programs are customized to the organization and its workforce. To achieve that level of customization, senior leaders and HR professionals will benefit from rich insight into the attitudes, interests and concerns of the workforce. By working together to gain this insight and act on it, senior management and HR can create a better company – one that offers employees a more satisfying work experience, provides customers with higher-quality products and services, and delivers superior return on investment to shareholders. In doing so, they will reap the rewards of greater productivity, higher retention and stronger financial performance.

About the Study

Watson Wyatt conducts an ongoing series of studies about employee attitudes around the globe. Our primary norm database is derived from these studies, which we have conducted regularly since 1987.

Watson Wyatt's polling methodology collects a random sample of employee attitudes. This approach provides a distinct advantage over additive databases used by most other firms, which simply combine client survey results over time. Our unique WorkAttitudes methodology offers a superior, unbiased, current and ultimately more accurate perspective of workforce attitudes, and allows us to provide custom normative comparisons including industry, global, regional and many other statistically reliable comparisons.

This report is based on the latest WorkCanada research, which was conducted in 2008. WorkCanada is one of the largest and most current statistically representative surveys on the attitudes of workers in Canada. As part of the 2008/2009 research, Watson Wyatt surveyed 2,300 full-time Canadian workers across all job levels and in all major industry sectors, including government, education, retail, health care, automotive, food and beverage products, transportation and warehousing, hospitality, and professional and technical services. The confidence interval (margin of error) for a sample of 2,300 at the 95 percent confidence level is approximately plus or minus 2 percent, and results can be generalized to the Canadian workforce. We asked participants to answer more than 250 questions that focused on:

- Attraction and retention
- Business strategy
- Commitment
- Communication
- Compensation and benefits
- Customer focus
- Diversity
- Employment deal and brand
- Enablement
- Health and wellness
- Hiring and advancement
- HR effectiveness
- Line of sight
- Performance management
- Process improvement and innovation
- Quality
- Safety
- Strategic direction and leadership
- Supervision
- Teamwork
- Training and development
- Trust and ethics
- Values
- Work environment
- Work/life balance

Glossary of Terms

Commitment	Motivation on the part of employees to help the organization succeed; the first factor in the Watson Wyatt Four-Factor Model of Employee Effectiveness
Continuous Engagement	Using situations, practices and programs to drive engagement in a planned-out and ongoing manner
Employee Value Proposition/ Employment Deal	A collective array of programs an organization offers in exchange for employment including components such as pay, benefits, opportunities for advancement, and training and education
Enablement	Giving employees the training, resources, tools and equipment they need to do their jobs; the third factor in the Watson Wyatt Four-Factor Model of Employee Effectiveness
Engageable Moment	A critical juncture for maintaining and building engagement
Engagement	The combination of commitment and line of sight
Integrity	Creating an environment where the organization demonstrates its values and creates a culture of trust and ethical behavior; the fourth factor in the Watson Wyatt Four-Factor Model of Employee Effectiveness
Line of Sight	Focus and direction that enable employees to understand what to do to make their organizations successful; the second factor in the Watson Wyatt Four-Factor Model of Employee Effectiveness
Market Premium	The extent to which the market value of a company exceeds the cost of its assets or the market's assessment of the company's ability to generate future profits from intangible assets, such as brand equity and human capital
Productivity	Revenue per employee
Total Returns to Shareholders (TRS)	The change in a company's share price over a period of time, plus dividends, expressed as a percentage of the share's initial value

About Watson Wyatt Worldwide

Watson Wyatt is the trusted business partner to the world's leading organizations on people and financial issues.

Our client relationships, many spanning decades, define who we are. They are shaped by a deep understanding of our clients' needs, a collaborative working style and a firm-wide commitment to service excellence.

Our consultants bring fresh thinking to client issues, along with the experience and research to know what really works. They deliver practical, evidence-based solutions that are tailored to your organization's culture and goals.

With 7,700 associates in 32 countries, our global services include:

- Managing the cost and effectiveness of employee benefit programs
- Developing attraction, retention and reward strategies that help create competitive advantage
- Advising pension plan sponsors and other institutions on optimal investment strategies
- Providing strategic and financial advice to insurance and financial services companies
- Delivering related technology, outsourcing and data services

For more information on how you can improve continuous engagement to drive business results in your organization, call Watson Wyatt at 866.206.5723 or visit watsonwyatt.com.

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NA-2009-11542