



# WHITE PAPER

## E3<sup>®</sup> AND ORGANIZATIONAL OUTCOMES

Organizations can take many different actions to improve bottom-line outcomes, such as enhancing process efficiency, upgrading equipment, or developing new products. However, recent research shows that the work environment and employee attitudes also can have significant impact on organizational outcomes.<sup>1</sup> When organizations inspire employees to go the extra mile, they maximize their human capital and set themselves apart.

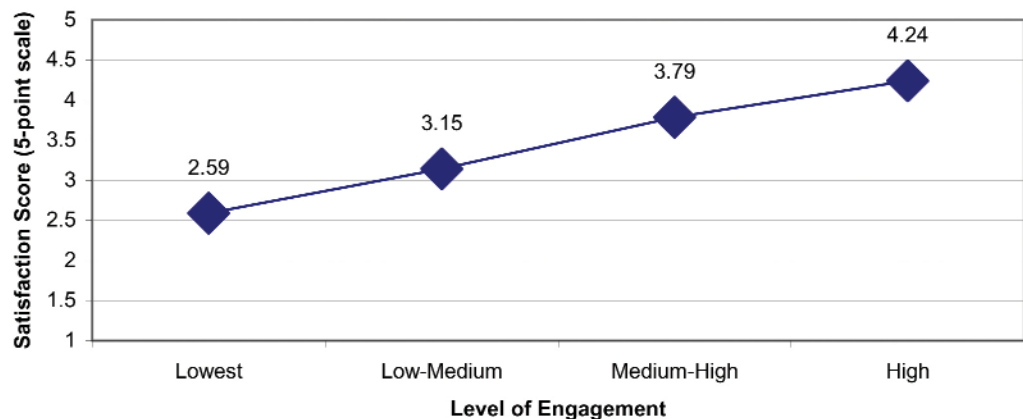
To this end, organizations can try to hire employees who are more likely to be inspired by their work or simply attempt to make their work environments more engaging. Engaged employees are highly

motivated and capable of performing the activities that drive organizational success. Research from Development Dimensions International (DDI) shows that when employee engagement scores are high, organizations experience many positive outcomes. This document summarizes some of these studies to demonstrate the value of employee engagement.

### CROSS-ORGANIZATIONAL FINDINGS

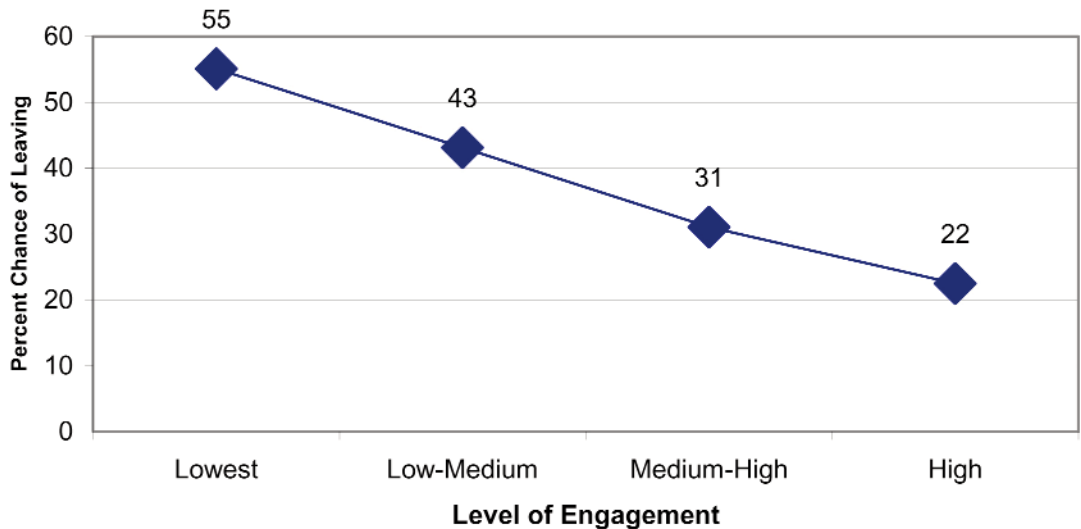
The charts in this section show the relationship between employee engagement and satisfaction, turnover, and productivity. Data was collected through surveys of more than 3,000 employees in more than 200 organizations around the world. In the charts, employees are divided into four groups—those with high, medium-high, low-medium, or low engagement scores. Results clearly show that engaged employees are more satisfied, less likely to leave the organization, and capable of achieving more of their goals.

Engaged Employees Are More Satisfied

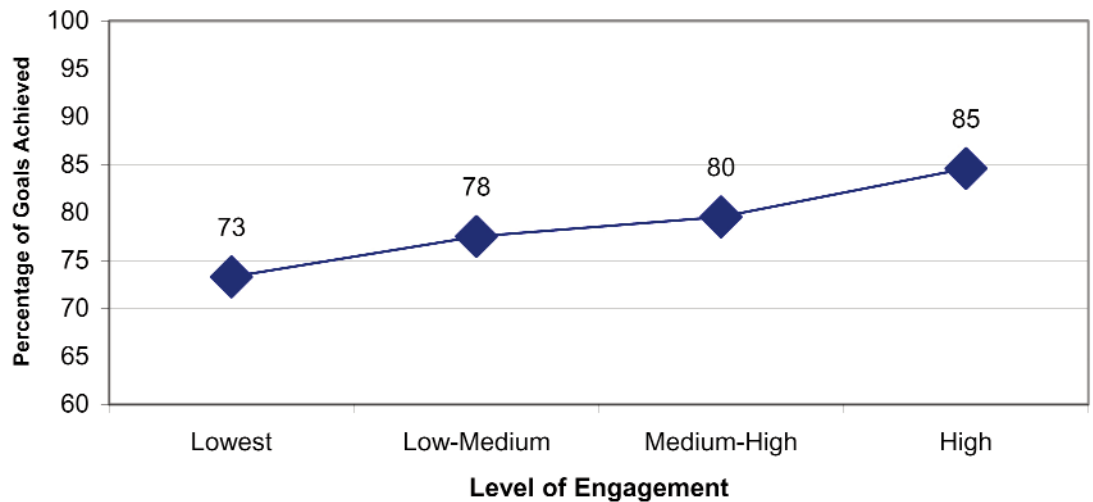


<sup>1</sup>The 100 best companies to work for. (2004, January 12). *Fortune*, 149(1), 56-80; Heskett, J.L., Jones, T.O., Loveman, G.W., Sasser, Jr., W.E., & Schlesinger, L.A. (1994, March-April). Putting the service-profit chain to work. *Harvard Business Review*, 164-174.

**Engaged Employees Are Less Likely to Leave the Organization**



**Engaged Employees Achieve More of Their Goals**



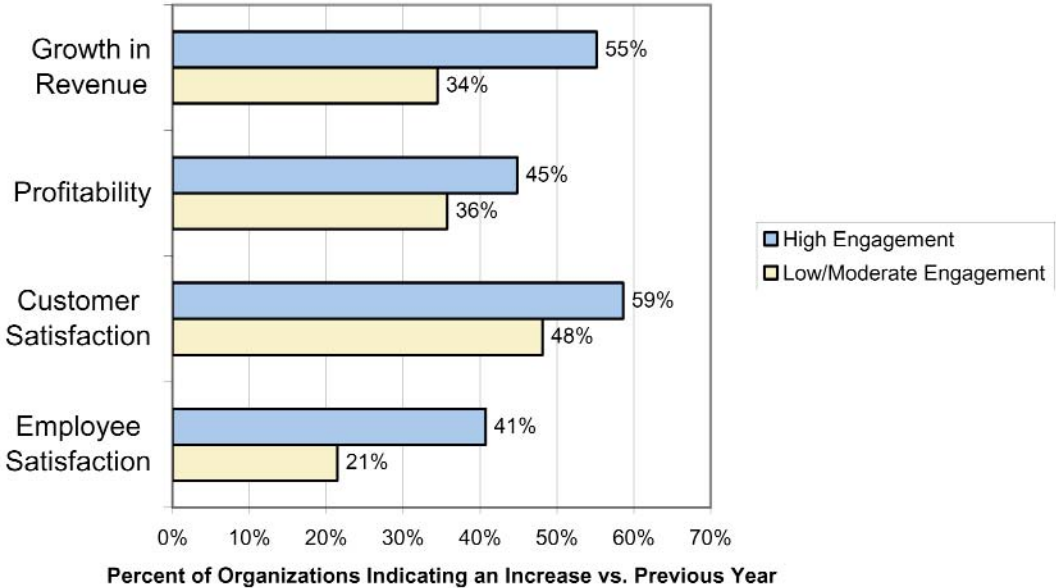
In return on investment (ROI) analyses, it is common to place a value on employee performance based on salary. For example, an employee who is paid \$35,000 per year should return at least that amount of value to the organization to be considered a worthwhile investment. Using the data in the above chart, we can see that highly

engaged employees achieve 12 percent more of their goals than employees with low engagement. Twelve percent of an employee salary of \$35,000 equates to \$4,200. When considering the impact on an organization with 10,000 employees, the value of engagement can yield a major impact (\$42 million).

Engagement has the greatest impact when employees are highly engaged (i.e., they indicate “strongly agree” to engagement items). We analyzed the relationship between the level of high engagement and the changes in organizations’ performance

relative to the previous year. Across 65 organizations, those with more highly engaged employees experienced a greater increase in revenue growth, profitability, and customer and employee satisfaction.

**High Engagement Predicts Business Outcomes**



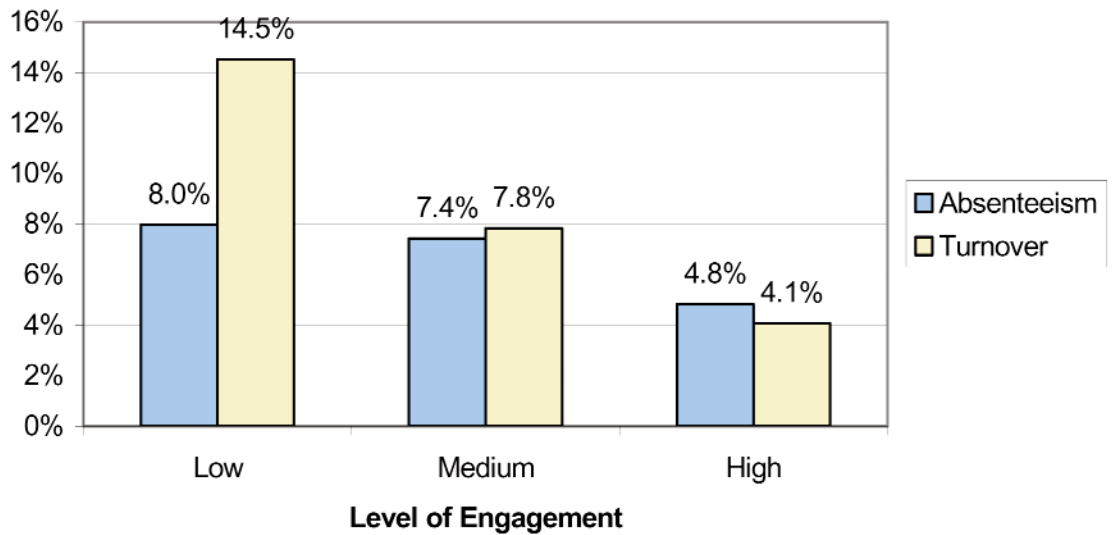
## STUDIES OF INDIVIDUAL ORGANIZATIONS

The following summaries profile various organizations that have used DDI's E3® technology. In each case results show correlations between engagement scores and a variety of important organizational success measures.

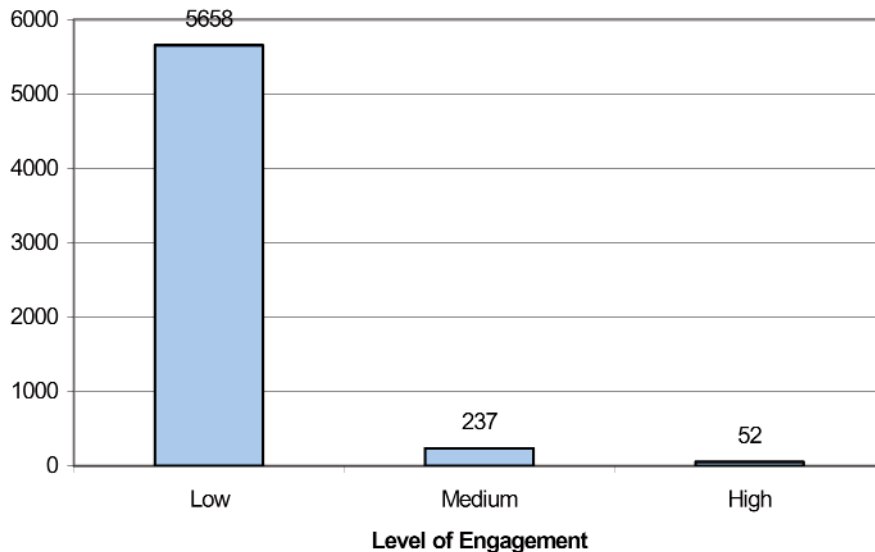
### Manufacturing Organization

A Fortune 150 manufacturing organization administered the E3 to almost 9,000 of its employees. Engagement scores were significantly related to reduced turnover and absenteeism. In addition, employee engagement showed a notable relationship to the organization's measures of quality (i.e., external and internal parts per million).

Engaged Employees Have Lower Turnover and Absenteeism



Sites with Higher Engagement Have Fewer Quality Errors (PPM)

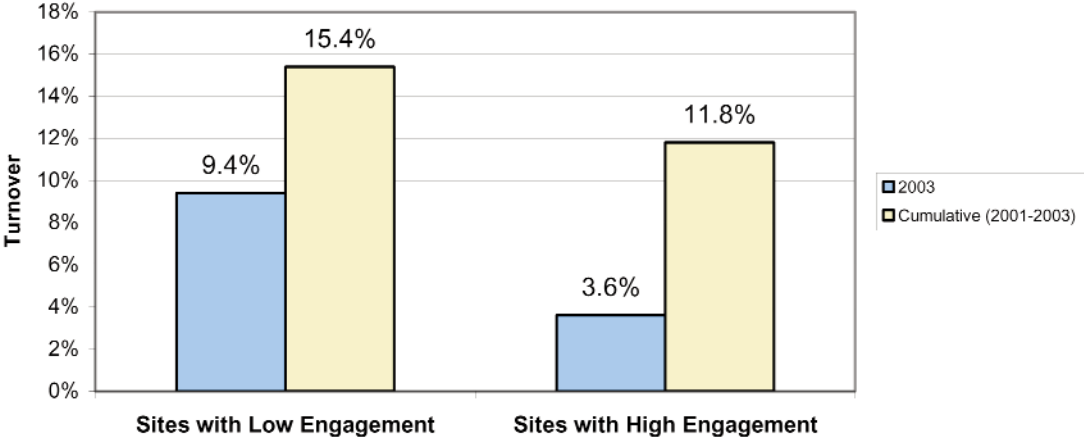


**Environmental Sciences Organization**

Across the sites of this organization that provided data for the study, DDI looked at turnover statistics for 2001-2003. Results show that in 2003, the sites with low

engagement had almost three times the amount of turnover as those with the highest engagement scores. The same trend was found for 2001-2003.

**Sites with High Engagement Have Lower Turnover**



### Consulting Company

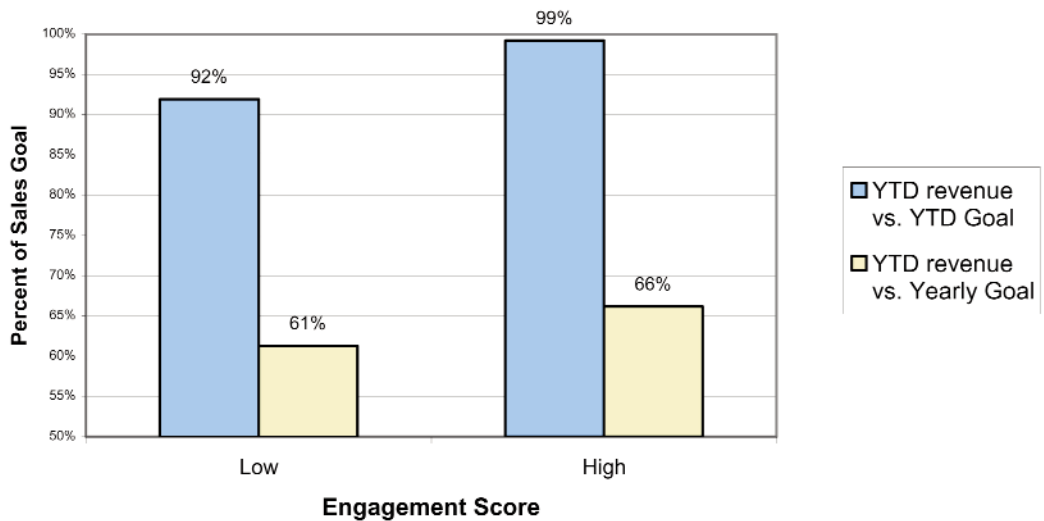
Engagement scores collected in December were predictive of actual sales performance in April of the following year. Based on their engagement scores, 52 account executives were divided into two groups—low and high engagement. Their sales performance versus goal was directly related to their engagement scores. On average, each account executive was responsible for approximately \$2.6 million in sales per year. Therefore, the difference in performance

between high and low engagement in this group of 52 account executives equates to almost \$9.5 million.

In particular, several engagement items were significantly predictive of sales performance:

- > Overall, I have a good understanding of what I am supposed to be doing in my job.
- > My work group makes efficient use of its resources, time, and budget.
- > I can make meaningful decisions about how I do my job.

Engagement Predicts Sales Performance

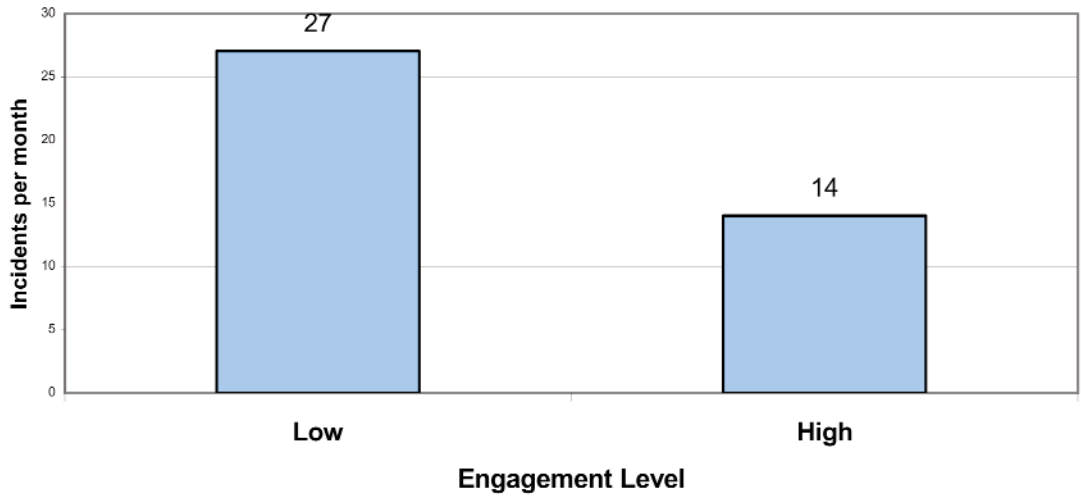


### Manufacturer

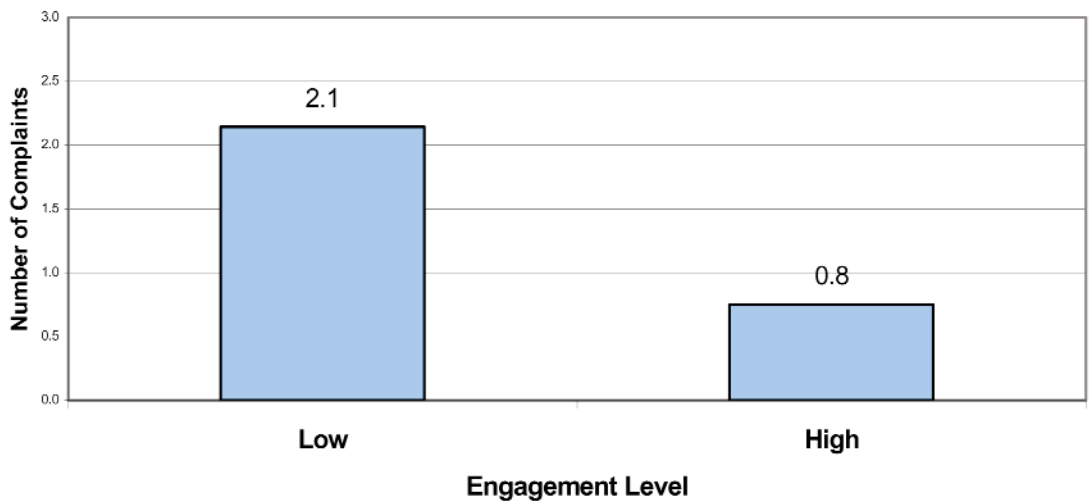
A manufacturing organization administered the E3 to all its plants and found a relationship between engagement and two impor-

tant negative outcomes: incidents and quality complaints. When engagement was high, the plants were less likely to have incidents or quality complaints.

Engagement Related to Number of Incidents Per Month



Engagement Related to Total Number of Quality Complaints



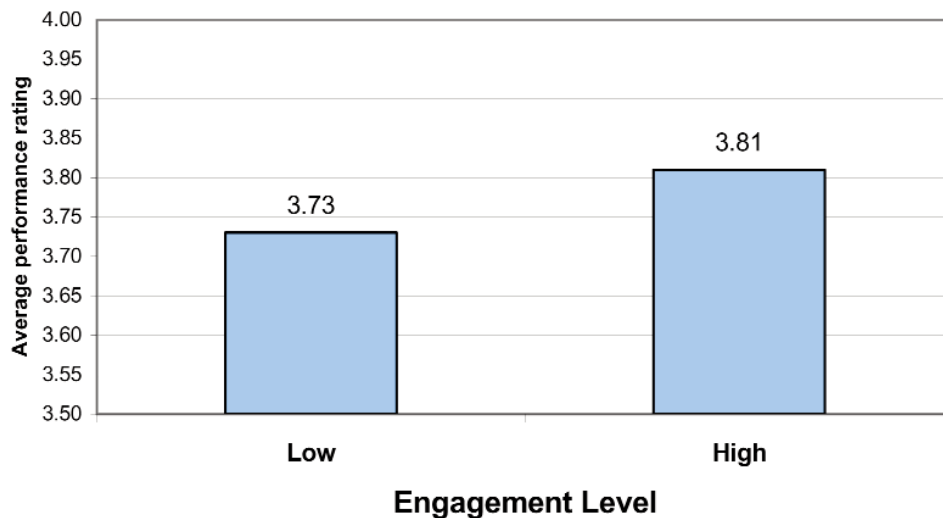
### Credit Union

A credit union used the E3 to measure improvement in its work environment before and after implementing a training program. As part of the implementation, the organization wanted to test the relationship between engagement and individual performance of employees. Results show that employees' performance review ratings were significantly higher when engagement was high.

In particular, the following items showed the strongest relationship to performance review ratings:

- > In my work group, people are assigned tasks that allow them to use their best skills.
- > People trust each other in my work group.
- > People in my work group cooperate with each other to get the job done.
- > In my work group, my ideas and opinions are appreciated.
- > People in my work group understand and respect the things that make me unique.
- > Overall, I have a good understanding of what I am supposed to be doing in my job.

Engagement Predicts Individual Performance Ratings



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### Computer Retailer

Engagement scores were related to reduced turnover and a higher percentage of sales goals achieved for a computer store. In particular, several items in the E3 were related to lower turnover, including:

- > Overall, I have a good understanding of what I am supposed to be doing in my job.
- > I am kept well informed about changes in the organization that affect my work group.

- > People in my work group cooperate with each other to get the job done. And these items were related to a higher percentage of sales goals achieved:
- > I am kept well informed about changes in the organization that affect my work group.
- > Overall, I have a good understanding of what I am supposed to be doing in my job.
- > My work group makes efficient use of its resources, time, and budget.