

BusinessConnect and SolutionsConnect

Its time to make bold moves.

Big Data Debunks the Top Three Myths of Employee Engagement and Leadership

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Importance of Engaging Employees

- The World Bank estimates global GDP grew 2.3% in 2012, with expected continued moderate growth in 2013.
- Between 2011 and 2012 90% of countries saw an increase in productivity (i.e., GDP per capita).
- Since 1993, revenue per employee has seen a 3.2% compound annual growth rate compared with little to no growth in revenue per cost of goods sold or per invested capital.

Employee engagement is increasingly seen as a fundamental mechanism through which to attain superior organisational performance.

Myth #1: There is a Global Crisis on Employee Engagement

- “Only 11% of the global workforce is engaged and 27% are actively disengaged.”
- “Globally, 40% of employees are passively or actively *disengaged*.”
- “In Australia and New Zealand, 24% of employees are engaged.”
– *the ‘disengagement epidemic’*

Neither the sky nor employee engagement is falling

Myth #2: People Join Companies But Leave Managers

- If a “...company doubled the number of great managers... [it would double the number of]...engaged employees.”
- “Retaining employees has more to do with the quality of the work experience overall ... [and] retention ... depends far more on the quality of employees’ relationship with their managers...”
- “Of the approximately 100 million people in America who hold full-time jobs, 30 million (30%) are engaged and inspired at work, so we can **assume** they have a great boss.”

People join companies but leave managers companies

Myth #3: The Recession Caused Disengagement

- “The global recession has certainly taken its toll on employees...making it more difficult to achieve or maintain healthy levels of engagement.”
- “Five years of economic turmoil, nearly a decade of competing in a “flat” world and more than a decade of being connected 24/7 have taken their toll [on employee engagement].”

The economic crisis cannot be used as a scapegoat

Big Data

14,000,000

Employees from 2010 to 2012

752,000,000+

Responses

Hundreds

of companies

WorldNorms

20

Industries

20,000

Average company size

215

Countries

4.5 million

Average # of employees surveyed annually

WorkTrends™

2012 Survey of over 33,000 employees across multiple countries, industries and organisations

How we define employee engagement at IBM



Satisfaction

Overall, I am extremely satisfied with this company as a place to work.



Pride

I am proud to work for this company.



Advocacy

I would recommend this company as a great place to work.



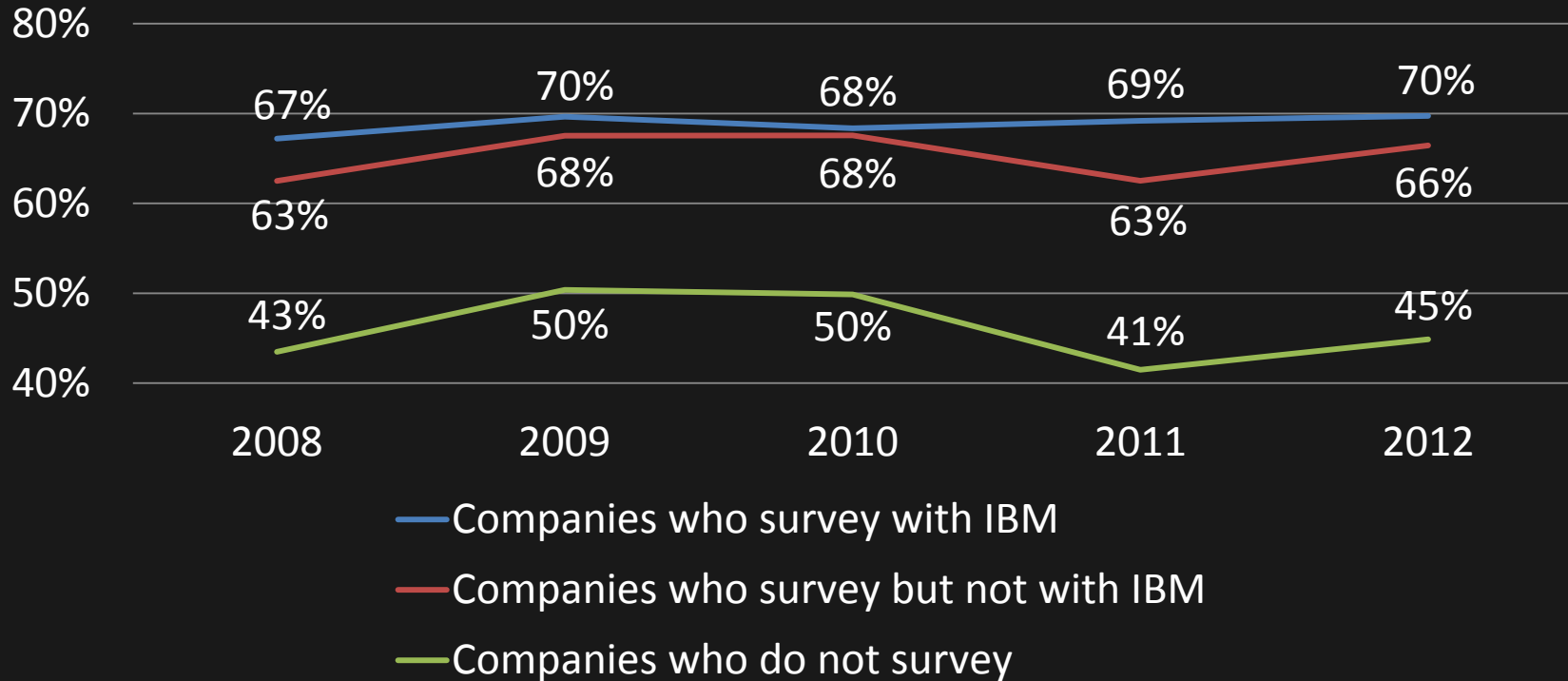
Commitment

I rarely think about looking for a new job with another company.



**Neither the sky nor
employee engagement
is falling!**

Neither the sky nor employee engagement is falling



Engagement and Change from 2010 to 2012





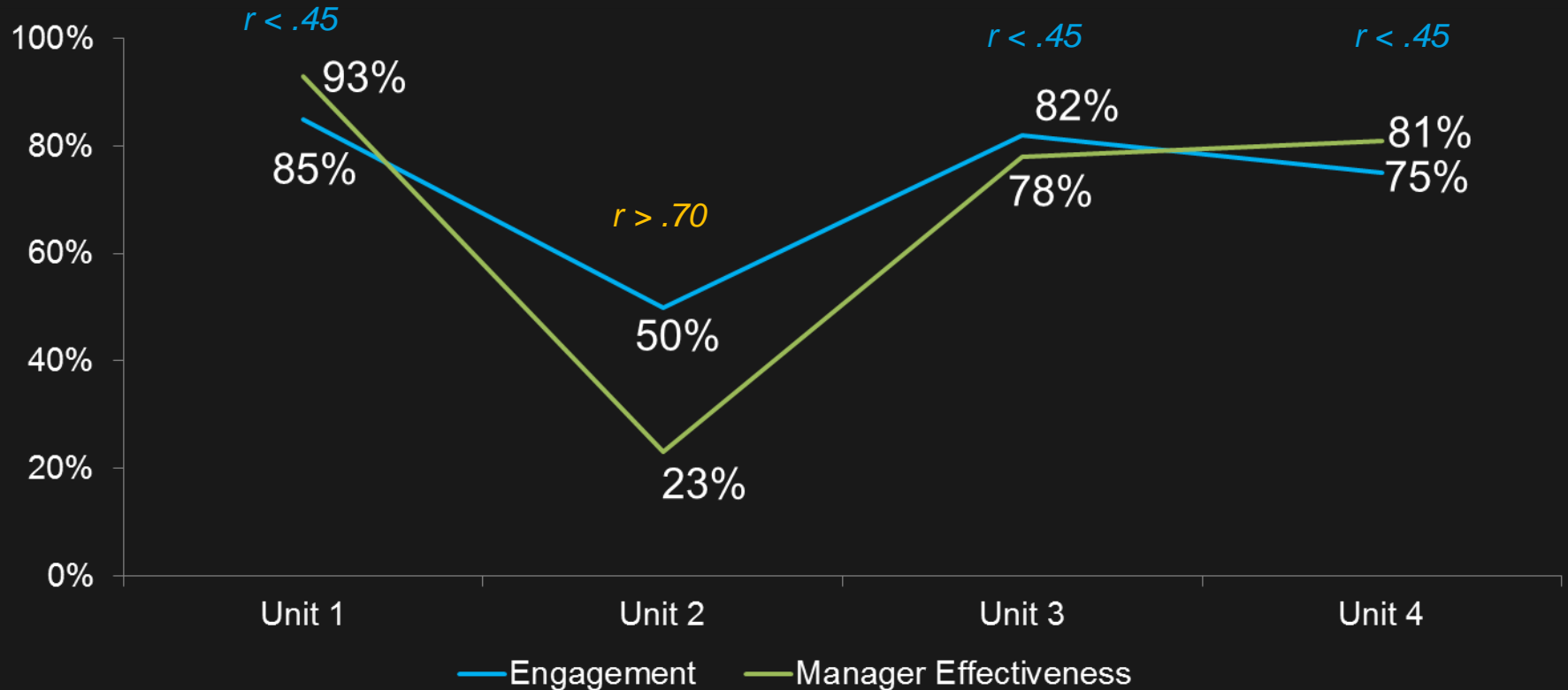
**People join companies
but leave ~~managers~~
companies!**

Determinants of Turnover Intentions

| Relative Influence On Turnover Intentions* | Determining Factor |
|--|--|
| 34% | I can achieve my career goals at this company. |
| 30% | I believe my organisation has an outstanding future. |
| 14% | I am paid fairly for the work I do. |
| 12% | My life is well-balanced between work, family, friends, and my personal needs. |
| 11% | My manager treats me with respect and dignity. |
| 100% | Total variance explained was 49% |

**Relative influence on turnover intentions derived from analysis of 2012 WorkTrends™ data. Turnover intentions was measured by the combined average of responses to “I rarely think about looking for a new job with another company” and “I am seriously considering leaving my organisation within the next 12 months”. Values represent relative weight of each factor in explaining turnover intentions. Factors were identified using Stepwise Regression analysis with relative influence determined by Relative Weights Analysis.*

“Toxic Managers” can destroy engagement and drive turnover



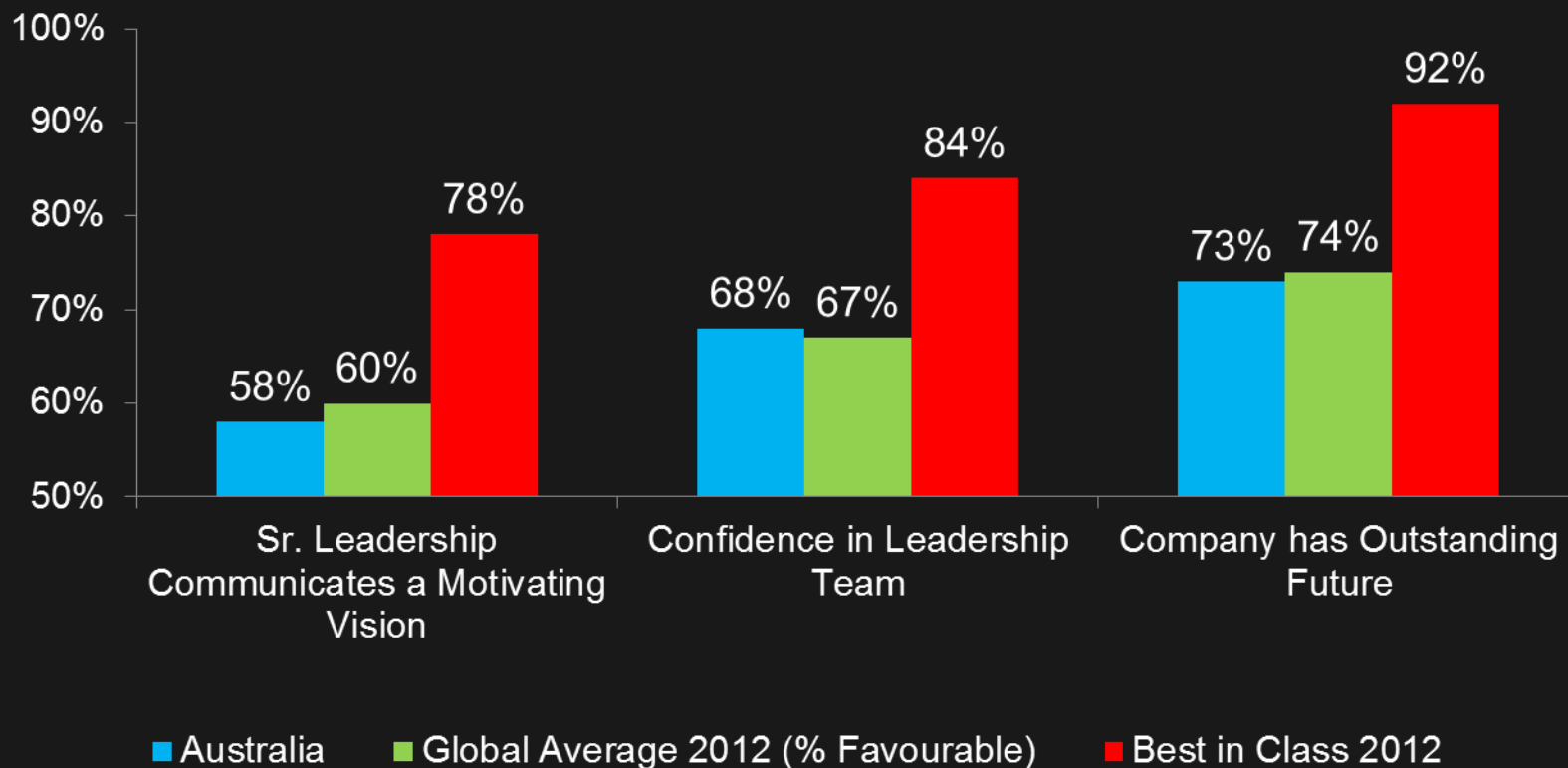
Ranked Drivers of Employee Engagement

| | 2008 | 2009 | 2010 | 2011 | 2012 | Relative Importance |
|---------------------------------|------|------|------|------|------|---------------------|
| Leadership future vision | 1 | 1 | 1 | 1 | 1 | 26% |
| Recognition | 4 | 3 | 2 | 3 | 2 | 13% |
| Quality and customer focus | 4 | 6 | 5 | 5 | 2 | 13% |
| Diversity and inclusion | 2 | 5 | 5 | 3 | 4 | 10% |
| Growth and development | 3 | 3 | 2 | 5 | 4 | 10% |
| Collaboration involvement | 4 | 2 | 2 | 2 | 4 | 10% |
| Ethics and corporate governance | 4 | 6 | 8 | 10 | 7 | 6% |
| Performance management | 9 | 10 | 7 | 7 | 7 | 6% |
| Creating change | 4 | 6 | 8 | 7 | 9 | 3% |
| Open communication | 9 | 6 | 8 | 10 | 9 | 3% |
| Leadership living values | 11 | 10 | 8 | 7 | 11 | 0% |
| Manager effectiveness | 11 | 10 | 8 | 10 | 11 | 0% |

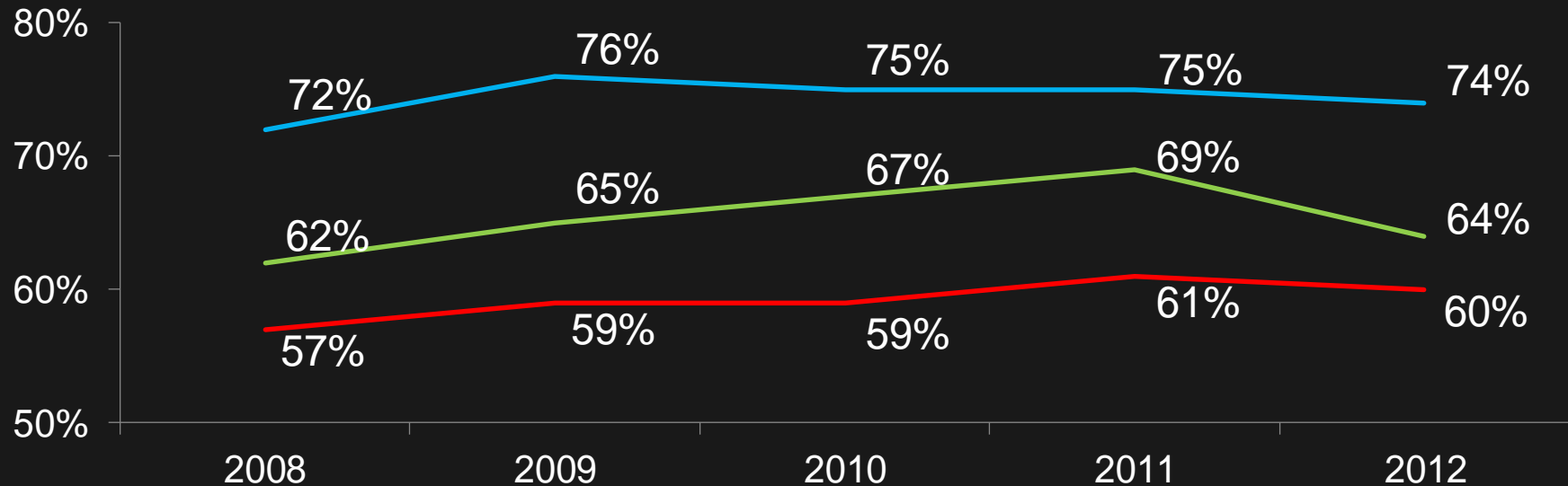
When it Comes to Engaging Employees, Managers Can't Go It Alone

| | Manager Effectiveness Low | Manager Effectiveness High |
|-----------------------------|------------------------------|-------------------------------|
| Future Vision/Trust High | 78% Engaged | 94% Engaged |
| Future Vision/Trust Low | 16% Engaged | 37% Engaged |

How Well are Leaders Creating a Vision?



Five Year Trend in Leadership Ability to Drive Future Vision



— I believe this company has an outstanding future.

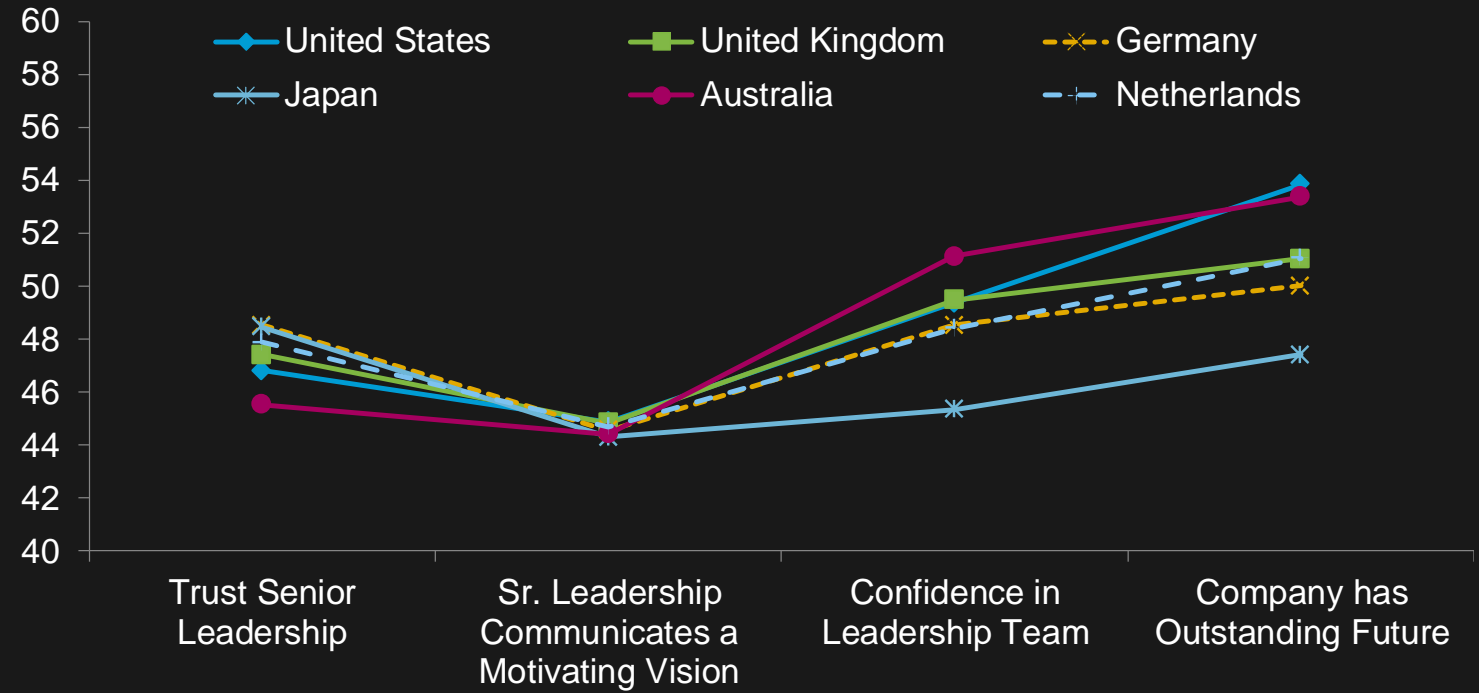
— I have confidence in the leadership team to make the right decisions for this company.

— The senior leadership of this company has communicated a vision of the future that motivates me.



**The economic crisis
cannot be used as a
scapegoat**

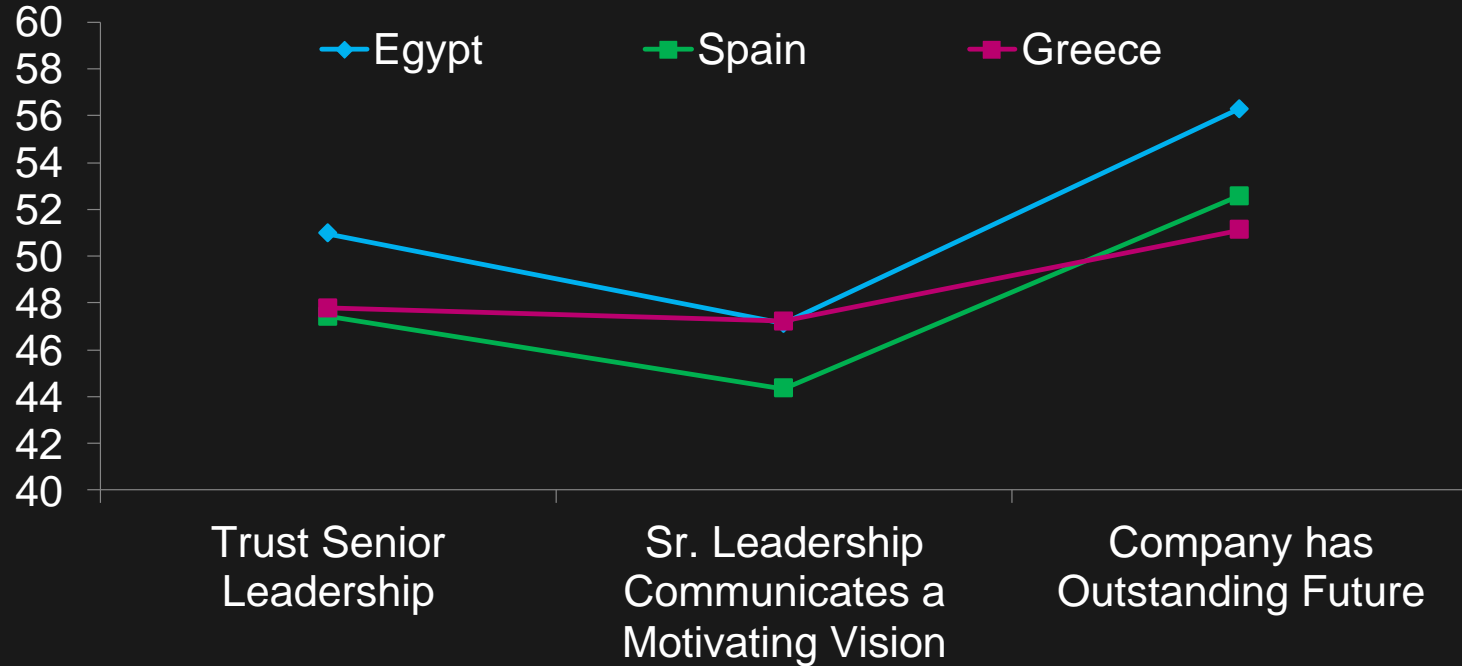
Future Vision for Mature Markets (Standardised)



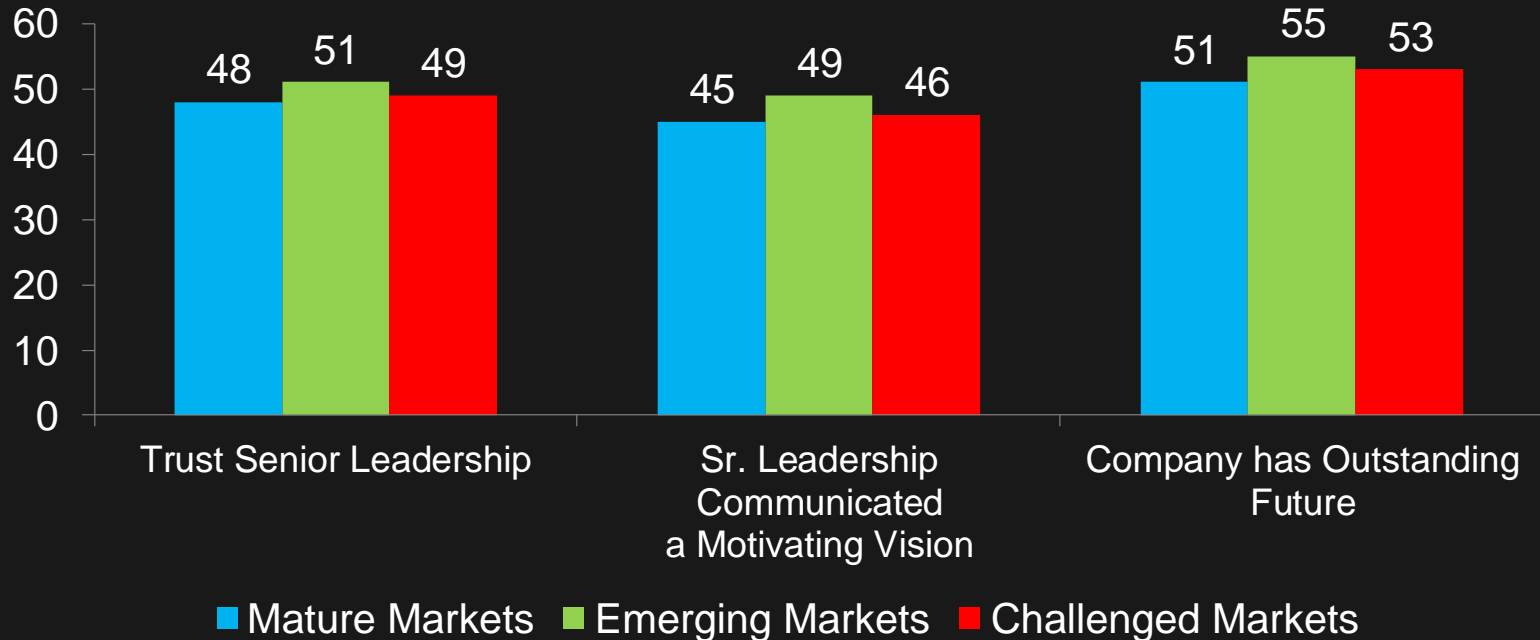
Future Vision by Emerging Markets (Standardised)



Future Vision by Challenged Markets (Standardised)



How Well are Leaders Creating a Vision? Comparison Across Global Market Conditions



Summary

- Myths can lead to ineffective strategies and wasted resources
- Globally, employee engagement is strong and getting stronger
- Engagement levels are less impacted by economic conditions and managers and more under the influence of senior leaders
- The ability of our senior leaders to communicate an inspiring and motivating vision is critical to driving high engagement levels
 - There is a significant gap between the average and the best in class
 - Trends indicate a worrying dip in coming years

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