STRATEGIC ENHANCEMENT GROUP

Redefining Employee Satisfaction

Business Performance, Employee Fulfillment, and Leadership Practices

By Michael Leimbach, Ph.D., Vice President of Global Research and Development, Wilson Learning Worldwide

Only 13% of employees worldwide are engaged in their work.

Executive Summary

Amidst disruptive market changes, astounding technological advancements, and escalating competitive challenges, companies and leaders recognize the importance of reexamining the connections among business performance, leadership, and employee satisfaction.

During the past decade, companies have focused on improving organizational performance by leveraging process improvements, updating technology, and tapping global markets for more efficient resources. However, these are temporary sources of competitive advantage.

What will be the next true source of performance improvement? Where can organizations find sustainable – not temporary – competitive advantage? In a series of 14 individual studies, Wilson Learning identified a key factor: Fulfillment Satisfaction. Our research repeatedly shows a direct correlation between employee Fulfillment Satisfaction and job performance. In fact, on average, 39% of a workforce's bottom line performance can be attributed to employee Fulfillment Satisfaction.

The challenge, according to *Gallup Business Journal*, is "Only about one-third of U.S. workers are engaged at work – and that figure has barely budged in more than a decade. Worse, just 13% of employees worldwide are engaged."[i] But what can be done to address this lack of engagement? Our research has identified the leadership skills of an employee's manager as the single most important factor in creating a sense of fulfillment. Gallup's research also states that managers account for 70% of variance in employee engagement.[ii] This finding has significant implications for the importance of the manager and how effective he or she is in creating Fulfillment Satisfaction.

©Wilson Learning Worldwide, Inc. All Rights Reserved.

Redefining Satisfaction

Employee satisfaction means different things to different people. While we intuitively believe that employee satisfaction is necessary for high performance, studies in the past have not supported this belief. Several years ago, Wilson Learning began asking why and concluded that the problem was in the definition of satisfaction.

The dictionary defines satisfaction as "gratification of an appetite" and "pleasure." In general, people most often associate satisfaction with happiness and comfort. It is likely that in most of the previous studies, people responded to the question "Are you satisfied?" by interpreting the question as "Are you comfortable in your work? Do you feel secure and content?" While this may not have been the intent of the question, this understanding of the question does suggest why organizational performance has not been linked statistically to employee satisfaction. We don't often associate high performance with contentment, security, and comfort.

However, we do tend to associate high performance with enjoyment of the work, fulfillment in accomplishment, and effective work relationships. Therefore, the researchers at Wilson Learning decided to explore a new definition of satisfaction, one that taps the elements of fulfillment, empowerment, and engagement. In the process, we have identified a powerful tool for creating a high-performance, high-fulfillment work environment.

Fulfillment Satisfaction

We call our approach "Fulfillment Satisfaction" (or just "fulfillment") to differentiate it from the traditional definition of satisfaction (that is, satisfaction as being comfortable). It is our belief that if you can identify and measure a more meaningful definition of satisfaction, you will find a closer causal relationship to organizational performance. We began our research by identifying five principal elements of fulfillment, empowerment, and engagement.

- **Satisfaction with the job:** To be fulfilled, people need to value their day-to-day work activities. People need to have a sense of accomplishment or pleasure from the work itself.
- **Satisfaction with relationships:** People also need to value the relationships they have on the job to be fulfilled. People want to like working with their coworkers. While people know that conflicts will arise, they want to be assured that the focus is not on the interpersonal differences but on the task differences.
- **Satisfaction with leadership:** If people do not think that they are being managed or led effectively, it is hard to have fulfillment in the work.
- **Knowing that others are satisfied in their work:** One of the key findings from our research is the importance of the open expression of fulfillment in the workplace. Knowing that others gain fulfillment in their work is a powerful motivator.
- **Knowing that others are satisfied with the organization's leadership:** It is difficult to be fulfilled if there is not open trust and support for leadership. Equally, when that open trust and support is present, it helps create an environment where people feel empowered and willing to give their full engagement.

This combination of both personal satisfaction and communication of group satisfaction is a critical distinction between Fulfillment Satisfaction and traditional definitions of satisfaction.

©Wilson Learning Worldwide, Inc. All Rights Reserved.

In today's work environment, few objectives are met solely through one individual's efforts. In addition, as people work together in group settings, they are likely to influence each other's attitudes and beliefs. Because of the roles that teamwork and joint effort play in organizational success today, tapping into these elements seems critical. One might feel personally satisfied but not perceive satisfaction in others. As a result, the overall sense of fulfillment that one feels will be diminished. Organizations that encourage open communication, in which employees discuss their level of satisfaction, promote high performance.

Organizations that encourage open communication, in which employees discuss their level of satisfaction, promote high performance.

Studying the Relationship Between Fulfillment, Performance, and Leadership

From our research, we were able to develop a reliable and valid measure of fulfillment. However, measuring the relationship between fulfillment and business performance requires reliable measures of performance in addition to a measure of fulfillment. It is nearly impossible to identify measures of performance that are consistent across industries, or even across organizations within an industry. As a result, the relationship between satisfaction and performance was examined in 14 separate studies, with each study using a unique measure of performance.

We conducted each of these 14 studies in a similar way. For each study, we worked closely with a team from the organization to identify existing measures of performance or devise new measures if appropriate ones did not exist. We had three criteria for the performance measures:

- The measure was meaningful to the organization's business success.
- Performance was measurable at the individual work unit level.
- The measure had a direct impact on bottom-line performance.

Table 1 summarizes the characteristics of the organizations participating in these studies. The organizations were distributed across three broad industry groups: financial services (banking, S&L, and insurance), manufacturing (computers and automotive), and service (transportation and hospitality). Performance measures consisted of sales revenue, profit margins, customer satisfaction, production targets, market share, quality control, and repeat business. Since each organization used different performance measures, we treated each as a separate study.

Table 1: Summary of Study Populations

COMPANY'S INDUSTRY	MEASURES OF PERFORMANCE	NUMBER OF WORK UNITS
1. Savings and loan	• Percent change in total savings • Average size of new and transferred accounts	55 branches
2. Insurance	• Total first-year premiums • Increase from previous year in first-year premiums • Total premiums	10 agencies
3. Banking	• Customer ratings of the accuracy, courtesy, and timeliness of service	20 branches

©Wilson Learning Worldwide, Inc. All Rights Reserved.

Table 1: Summary of Study Populations (continued)

COMPANY'S INDUSTRY	MEASURES OF PERFORMANCE	NUMBER OF WORK UNITS
4. Insurance	• Percent of targeted production • Total production	14 sales units
5. Banking	• Customer ratings of friendliness and efficiency of service	53 branches
6. Insurance	• Number of life premiums • Total volume • Production credits	12 agencies
7. Automotive sales	• Customer satisfaction • Sales volume • Area registrations	10 dealerships
8. Transportation center	• Percent of sales volume goal • Length of sales cycle • Salesperson retention	15 sales units
9. Automotive sales	• Customer satisfaction • Sales volume	33 dealerships
10. Transportation center	• Customer ratings of friendliness and efficiency	13 centers
11. Computer manufacturer	• Chip rejection rate • Communication of downtime	57 shifts
12. Technology service	• Customer ratings of friendliness and efficiency	9 branches
13. Telecommunications	• Gross margin • Percent of quota achieved	19 sales offices
14. Hospitality	• Room occupancy • Repeat business • Customer satisfaction	8 hotels

The same method was used in all studies. Fulfillment data were collected from all work unit members. Work unit performance measures were gathered for roughly the same time period as the fulfillment data. An effort was made to secure data from several performance periods (e.g., several shifts, several weeks of customer satisfaction data) to ensure reliable indicators. All employees in a work unit were involved in the study. Each work unit contained between 3 and 10 employees and the total study population consisted of approximately 2,000 employees across the 14 studies.

©Wilson Learning Worldwide, Inc. All Rights Reserved.

The fulfillment and performance data were submitted to a multiple regression analysis to determine the degree to which work unit performance can be predicted from the work unit's satisfaction level. Multiple regression analysis results in a value (called R) that indicates the degree of association between fulfillment and performance. The higher the R value (the closer to 1.00), the more fulfillment predicts the performance outcomes.

Want to Know More about Multiple Regression?

A multiple regression analysis results in a regression coefficient (R), which is an indicator of the association between satisfaction and performance. Regression coefficients have a range of -1.00 to +1.00. Values close to 0.00 indicate the variables are unrelated. Negative values indicate that when one variable increases the other decreases. For example, as the hours of light in a day increase, the hours of darkness decrease (R = -1.00). When variables both increase, the R values are positive. For example, as the number of minutes increases, the number of seconds increases (R = +1.00). In this study, all R values are positive, indicating that the two variables increase or decrease together. The higher the positive value (that is, the closer to 1.00), the stronger the relationship. For studies of this type (behavior studies), a value between 0.00 and 0.30 indicates a minimal relationship. Any value over .30 is considered meaningful, because at this point approximately 10% of the difference in one variable is shared with a change in the other variable. Values between .30 and .60 are considered moderately strong. Values between .60 and 1.00 are considered very strong. In this study, a regression coefficient value above .60 indicates that over 35% of the difference in performance can be attributed to differences in fulfillment.

Results: Fulfillment and Performance

The following graphic shows the average R value across all 14 studies. The R value of .63 indicates there is a very strong relationship between Fulfillment Satisfaction and the business performance measures. This is remarkable considering the number of other factors affecting business performance that are unrelated to Fulfillment Satisfaction.

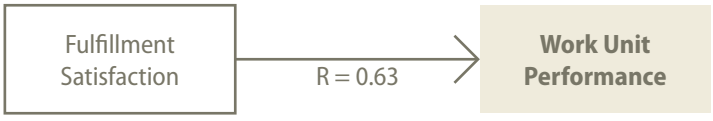

Table 2 shows the results for each of the studies individually. While the average R value was .63, the table shows that there was actually great variability among the studies. R values ranged from R = .32 (Study 9) to R = .94 (Study 8). Thus, even with the lowest R value, the studies indicate that the relationship between satisfaction and performance is at least moderately strong and, in many cases, very strong.

©Wilson Learning Worldwide, Inc. All Rights Reserved.

The majority of studies had regression coefficients between .50 and .85, suggesting that the relationship between satisfaction and performance is moderate to very strong. It is likely that different organizations and different industries will place differing emphasis on satisfaction and, therefore, variability among studies should be expected.

Table 2: Satisfaction to Performance Multiple Regression Results

COMPANY'S INDUSTRY	R	PERCENT OF VARIABILITY
1. Savings and loan	.63	40%
2. Insurance	.89	79%
3. Banking	.50	25%
4. Insurance	.84	71%
5. Banking	.44	19%
6. Insurance	.85	72%
7. Automotive sales	.82	67%
8. Transportation center	.94	88%
9. Automotive sales	.32	10%
10. Transportation center	.56	31%
11. Computer manufacturer	.49	24%
12. Technology service	.50	25%
13. Telecommunications	.38	14%
14. Hospitality	.59	35%
Average	**.63**	**39%**

Table 2 also shows a "Percent of Variability" column. This is another statistic produced by the multiple regression analysis that shows exactly how much of the difference in performance is caused by differences in fulfillment. Thus, averaging across the 14 studies, 39% of the difference in work unit performance can be attributed to differences in fulfillment. Said in another way, the Percent of Variability can be used to predict how much performance will change if you improve a work unit's fulfillment. On average, improvement in fulfillment could increase performance by 39%.

In summary, these 14 studies indicate that there is a significant and meaningful relationship between business performance and fulfillment. The results suggest that organizations, regardless of industry, could improve organizational performance by improving fulfillment among employees.

©Wilson Learning Worldwide, Inc. All Rights Reserved.

Results: The Leader's Role in Improving Fulfillment

If organizational performance is strongly affected by employee fulfillment, as these studies indicate, then understanding what characteristics contribute to fulfillment can be critical in improving organizational success. Of the things an organization can do to impact employee fulfillment, we focused on the day-to-day interactions between an employee and his or her manager. We hypothesized that fulfillment is largely determined by the work environment and sense of teamwork created by the leader of the work unit.

When we measured fulfillment in the 14 studies described earlier, we also measured employees' perceptions of their leader's actions and how those actions affected the employee. Twenty-eight separate leadership behaviors were analyzed. Employees rated each behavior in terms of the actions of their direct manager. These behaviors defined five critical leadership practices:

Direction. Does the leader create a work environment that links employees' actions to an important and inspiring organizational purpose or mission?

Goals. Does the leader define challenging but achievable work objectives for employees?

Feedback. Does the leader provide information and direction needed to track and improve performance?

Recognition. Does the leader provide the appropriate consequences to improve and maintain high performance in the work unit?

Support. Does the leader show a concern for the development of employees and provide support and coaching to improve individual performance and abilities?

To determine the relationship between leadership practices and employee fulfillment, we used the same multiple regression technique that we used to determine the relationship between fulfillment and performance. The overall result of this analysis is shown in the following graphic, along with the fulfillment/performance results shown earlier. There is a very strong relationship (R = .83) between leadership practices and the Fulfillment Satisfaction of employees.

The results for each of the 14 studies are shown in Table 3. There was much less variability between studies in this analysis than there was in the relationship between fulfillment and performance. All of the regression coefficients were between .75 and .91, indicating that between 56% and 83% of the variability in fulfillment can be attributed to the leadership practices of the work unit's manager. On average, 69% of the variability in employee satisfaction is attributable to the actions of the work unit leader.

©Wilson Learning Worldwide, Inc. All Rights Reserved.

The multiple regression analysis also allowed us to identify the individual leadership practice in each study that contributed most to the relationship with fulfillment. These practices are also listed in Table 3 in the "Greatest Contributor" column. There was significant variation between organizations as to which leadership practice contributed most to predicting fulfillment. Each of the five practices was the largest contributor for at least one of the studies. Recognition was the one most frequently identified (five studies); Feedback and Support were also frequently identified (for three studies each), as was Direction (two studies). Goals was identified as the largest contributor in one study.

Table 3: Leadership to Satisfaction Multiple Regression Results

COMPANY'S INDUSTRY	R	PERCENT OF VARIABILITY	GREATEST CONTRIBUTOR
1. Savings and loan	.78	61%	Direction
2. Insurance	.81	66%	Recognition
3. Banking	.90	81%	Recognition
4. Insurance	.81	66%	Support
5. Banking	.89	79%	Recognition
6. Insurance	.84	71%	Direction
7. Automotive sales	.81	66%	Support
8. Transportation center	.91	83%	Recognition
9. Automotive sales	.89	79%	Goals
10. Transportation center	.80	64%	Recognition
11. Computer manufacturer	.75	56%	Feedback
12. Technology service	.85	72%	Feedback
13. Telecommunications	.84	71%	Support
14. Hospitality	.77	59%	Feedback
Average	**.83**	**69%**	

©Wilson Learning Worldwide, Inc. All Rights Reserved.

Conclusions

In a business environment that requires employees who are flexible, creative, and willing to take risks, it is necessary to find ways to help employees feel fulfilled and empowered in their work.

At a time when only 32% of employees in the U.S. are engaged[iii], Wilson Learning's research has important implications. The research suggests that the single biggest contributor to these feelings of fulfillment, empowerment, and satisfaction lie in the day-to-day relationship between employees and their managers. These 14 separate studies show:

- Managers and leaders have the major impact on a Fulfillment Satisfaction of employees and, consequently, on how well they perform.
- Between 56% and 83% of fulfillment could be predicted from the skills and practices of the manager or leader.
- When employee fulfillment was high, so was performance, and when employee fulfillment was low, so too was performance.
- All 14 studies showed a significant relationship between employee fulfillment and work unit performance.
- 39% of bottom-line performance can be attributed to employee fulfillment.

Of all the factors an organization can improve to impact employee satisfaction, improving individual leadership is the most effective.

Clearly, while organizational leaders are rethinking how to manage the corporation, they must also rethink how they lead the people who drive it. We found that leadership skills directly related to employee satisfaction include: having a clear direction for the group; having realistic and clear objectives; and being able to give appropriate feedback, recognition, and support. Perhaps most importantly, the results emphasize empowering and developing employees so they can do the work themselves and eliminate barriers to getting the work done. Managers who have the leadership skills to accomplish these conditions will create a high level of fulfillment in their employees with a direct impact to the bottom line.

These studies suggest that an employee's manager is the primary contributor to his or her fulfillment in an organization. Pay, compensation, work conditions, promotions, and benefits are important, but they are more often associated with creating dissatisfaction than with fulfillment. In other words, when people feel their salaries are not fair, the work conditions are poor, or the benefits are insufficient, they feel dissatisfied with the organization and their job. However, even if these conditions are perfect, this elimination of dissatisfaction does not mean that employees feel fulfilled, only that they no longer are dissatisfied. And it is employee fulfillment, not satisfaction, that predicts performance. It is the individual manager who creates, or fails to create, fulfillment.

Understanding the connection between business performance, leadership, and employee fulfillment can measurably impact the future competitiveness of a company. Gallup meta-analysis reveals "business units in the top quartile of employee engagement are 21% more profitable, are 17% more productive, have 10% better customer ratings, experience 41%

©Wilson Learning Worldwide, Inc. All Rights Reserved.

less absenteeism, and suffer 70% fewer safety incidents compared with business units in the bottom quartile."[iv] Employee satisfaction impacts the bottom line and is largely determined by employee day-to-day interactions with managers.

Of all the factors an organization can improve to impact employee satisfaction, improving individual leadership is the most effective. Those leaders who see their role as a developer of people, and who are skilled in the new leadership practices, will have high-performing employees. Managers who do not are well advised to reconsider how they lead. If a company is prepared to invest in new equipment and new processes, then why not invest in the company's employees who drive those initiatives and the managers who lead them?

To learn more about these concepts and how Strategic Enhancement Group, Inc. can help you in addressing these issues, contact us at **(630) 377-4300**, **(888) 668-9382** outside of IL or **StrategicEnhancement.com**.

References

i Brandon Rigoni and Bailey Nelson, "Do Employees Really Know What's Expected of Them?" *Gallup Business Journal*, September 27, 2016.

ii Randall Beck and Jim Harter, "Managers Account for 70% of Variance in Employee Engagement," *Gallup Business Journal*, April 21, 2015.

iii Annamarie Mann and Jim Harter, "The Worldwide Employee Engagement Crisis," *Gallup Business Journal*, January 7, 2016.

iv Brandon Rigoni and Bailey Nelson, "Do Employees Really Know What's Expected of Them?" *Gallup Business Journal*, September 27, 2016.

The leadership survey used in this study was originally developed for Wilson Learning by W. B. Lashbrook, Ph.D. The 14 studies presented in this report were conducted over several years by a number of investigators. Principal investigators involved in these studies include W. B. Lashbrook, Ph.D.; V. J. Lashbrook, Ed.D.; P. Habegger; and M. Leimbach, Ph.D.

©Wilson Learning Worldwide, Inc. All Rights Reserved.