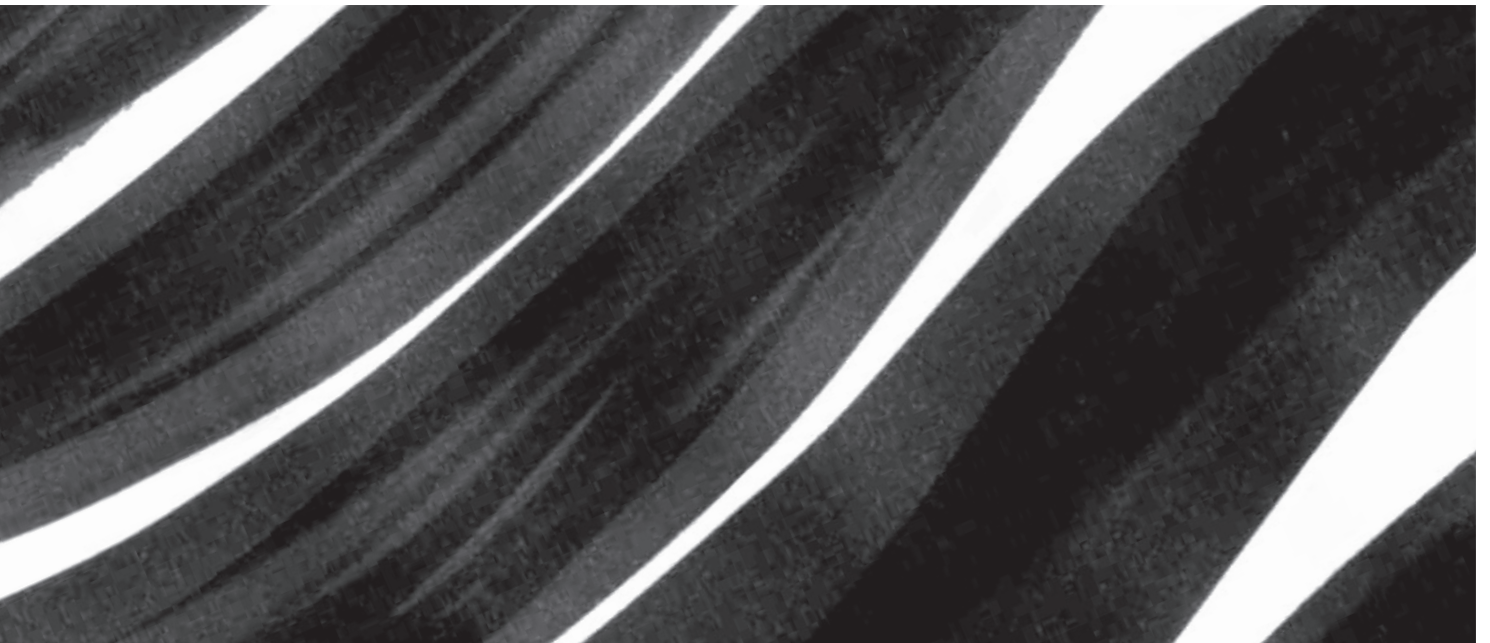


Organisational Effectiveness & Employee Engagement

Discovering How to Make Them Happen

Australia and New Zealand



Business & Talent. Aligned.™

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Executive Summary

Organisational effectiveness is critical to success in any economy. In order to achieve increased and sustainable business results, organisations need to execute strategy and engage employees. However, our research indicates that most organisations are struggling to get it right.

To understand more about the elements of an effective organisation and their connection to productivity, Right Management conducted a global study of more than 28,000 employees in ten major industry sectors in 15 countries in The Americas, Europe and Asia Pacific.

To create organisational effectiveness, business leaders need to focus on aligning and engaging their people, the people management systems, the structure and capabilities (including organisational culture) to the strategy. Our results confirm that this engagement is critical - put simply, it results in higher financial performance, higher customer satisfaction and higher employee retention. An organisation that can sustain such alignment will achieve increased business results.

This document provides information and insight into organisational effectiveness and how you can make it happen.

Right Management would like to thank the participants of this important study. We look forward to continuing to equip you with the essential resources and solutions you need to excel in these challenging times.

Overview

Business Performance is a combination of people engagement, productivity, efficiency and business results (profit, revenue, etc).

Business performance matters. It matters in any economy. The search for new and better ways to engage employees, enhance efficiency, increase profitability and delight customers and stakeholders will continue regardless of current market conditions.

For this reason, business leaders need to create organisations that work effectively to achieve their business strategy. Failure to create an organisation that can sustain high levels of employee engagement and alignment to business strategy will result in failure to execute or failure to achieve steady business results at best. Results of our global research indicate that the effective implementation of strategy is a key driver of financial performance.

It is hard to get right. Our global study also found that fewer than one in two employees work in an organisation where senior leaders effectively communicate the strategy. And it's not just communication, even fewer employees believe that senior leaders effectively implement the strategy.

Organisations are complex. No one thing by itself will achieve sustainable business results. There are, however, some fundamental, key elements that work together to deliver engaged employees, a great customer experience and profitability. These are:

- A 'fit for purpose' structure
- People systems and processes that drive the right behaviours
- Capable leadership; and
- A positive culture and values set.

To understand more about the elements of an effective organisation, Right Management conducted a global study of more than 28,000 employees in ten major industry sectors in 15 countries in North America, South America, Europe and Asia Pacific.

We found that across the globe business leaders have a long way to go to align and engage their employees to their strategy. The study also reinforced the clear relationship between engagement and key business metrics such as financial performance, retention and a company's ability to attract talent.

The time to act is now. Delivery of strategy is paramount to success. The challenge is tough but knowledge, focus and persistence will ensure that your business survives in a downturn and prospers in an upturn.

Research Methodology

Some 28,810 employees representing 10 major industry sectors in 15 countries participated in an online survey.

Data was collected from November, 2008 to January, 2009. Respondents were largely from private corporations (91%) employing 50 or more people. The organisations represented ranged in revenue from under US\$1 million per annum to over \$1 billion. The study used a stratified sample of employees that matched the workforce population in each country on several factors, including industry, size of organisation, gender, and age.

The 10 major industry sectors represented in this research include:

- Agriculture, forestry and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas and water supply
- Construction
- Wholesale and retail trade
- Restaurants and hotels
- Transportation, storage and communication
- Finance, insurance, real estate and business services
- Government, social and personal services

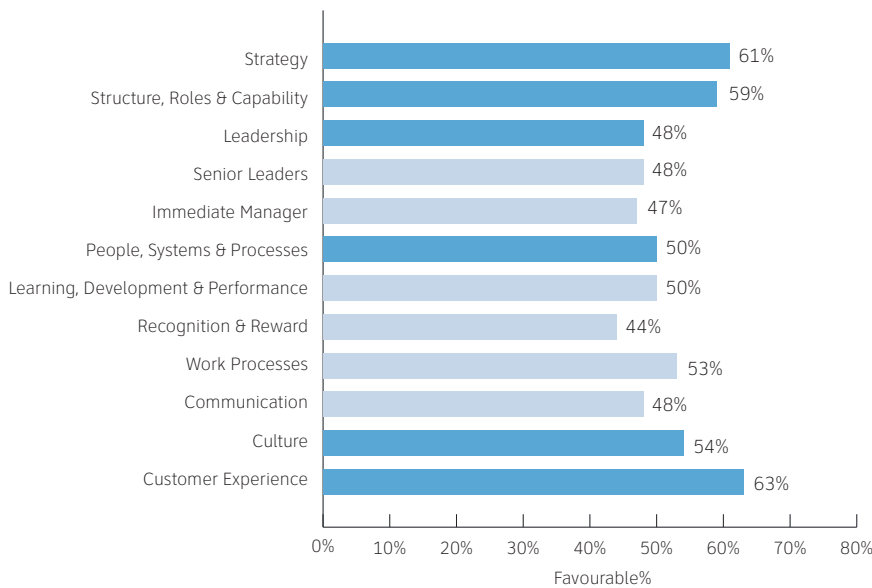
Research Findings

So how well is business doing?

Our study shows that businesses have failed to align and engage employees to their strategy. Fewer than one in two employees say that they work in an organisation that has capable leaders and people systems that drive the right behaviours.

Only a marginally higher percentage of employees work in organisations with a positive culture, that has capable people doing the right work through a “fit for purpose” structure and have clearly described role accountabilities and relationships.

Figure 1: Global Findings by Organisational Effectiveness Element



Business leaders have failed to align and engage employees to their strategy

Engagement

Whilst there is no one overarching definition of employee engagement,¹ what most agree on is that engaged employees:

- Are committed to making the organisation a success
- Are enthusiastic about, involved in and satisfied with their job
- Want to stay with the organisation
- Are willing to talk positively about the company
- Are willing to go the 'extra mile'

In short, engagement can be thought of as the degree of employee-organisation alignment. Organisations must work to engage the employee and the employee has a choice about the level of engagement to offer the employer.

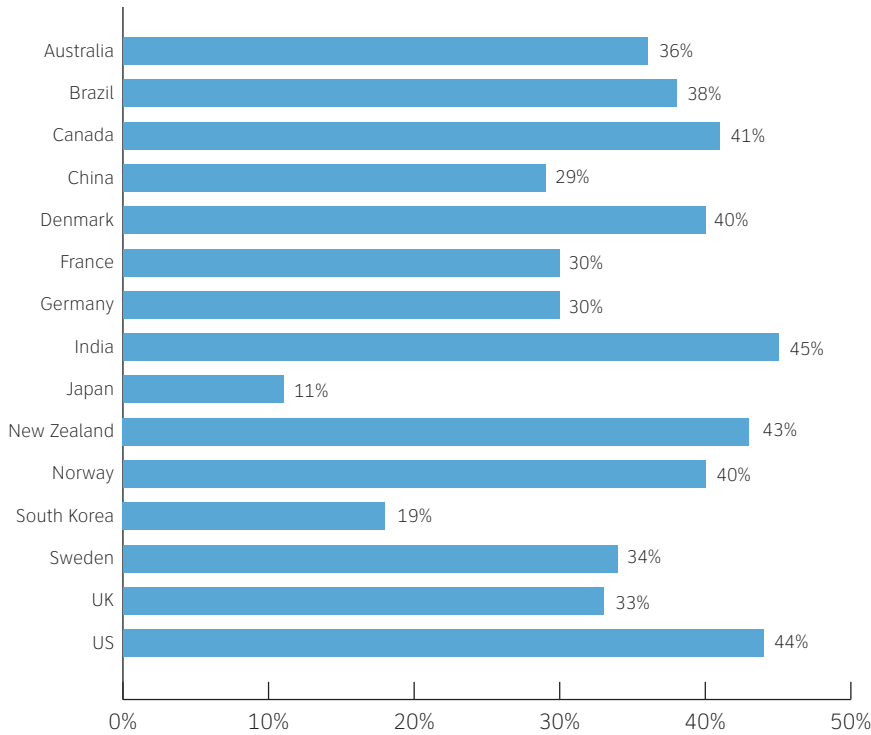
Our study found that the key drivers of engagement were:

- Senior leaders effectively implementing strategy
- Customers thinking highly of products and services
- Senior leaders having the capability to make the organisation successful
- Investing in people's learning and development
- Pay being competitive with similar jobs in other organisations

The above findings highlight the criticality of executing strategy through investing in the selection and development of capable leaders, employees' learning and development and getting reward systems right.

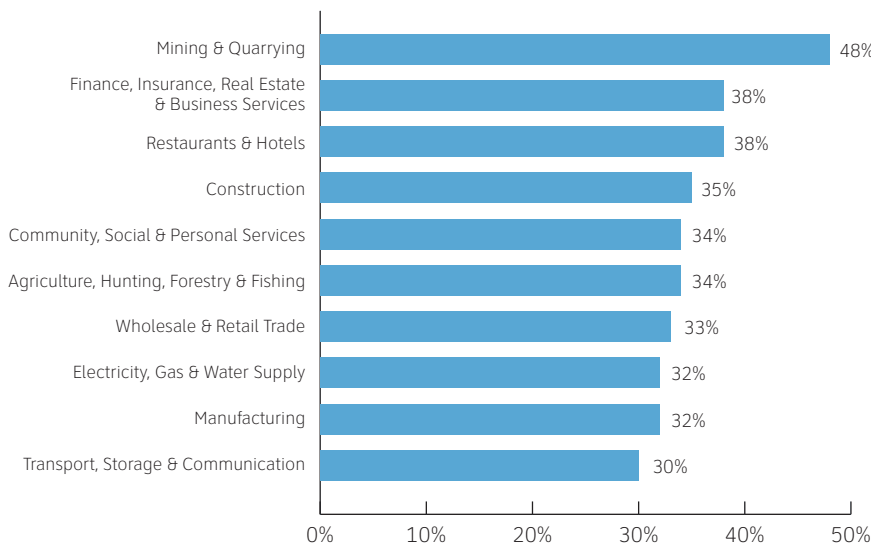
How engaged are employees? Our study found that only one in three employees is engaged. There are significant country differences from engagement levels of 45% in India to only 11% in Japan.

Figure 2: Engagement by Country



There are significant country differences in engagement levels.

Figure 3: Engagement by Industry (Global)



There are significant industry differences in engagement levels.

The following graphs show that engaged employees are 7 times less likely to leave in the next year and 1.5 times more likely to stay for at least 5 years in both Australia and New Zealand.

Figure 4a: Australian Employee Engagement by Intention to Stay

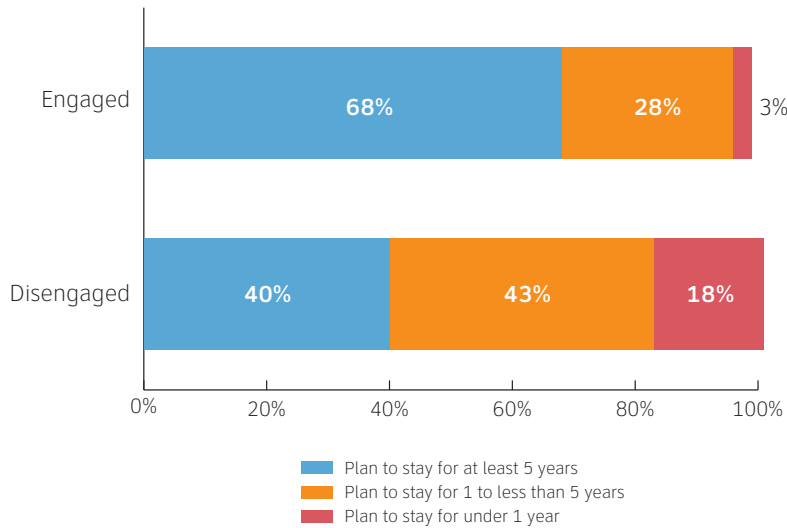
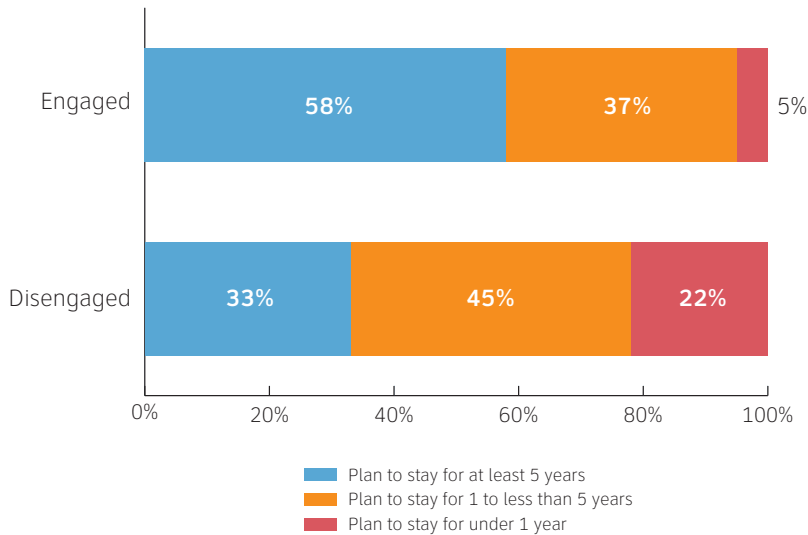


Figure 4b: New Zealand Employee Engagement by Intention to Stay



The following graphs show a strong relationship between the level of employee engagement and perceived levels of customer satisfaction in both Australia and New Zealand.

Figure 5a:
Australian Employee Engagement and Customer Satisfaction

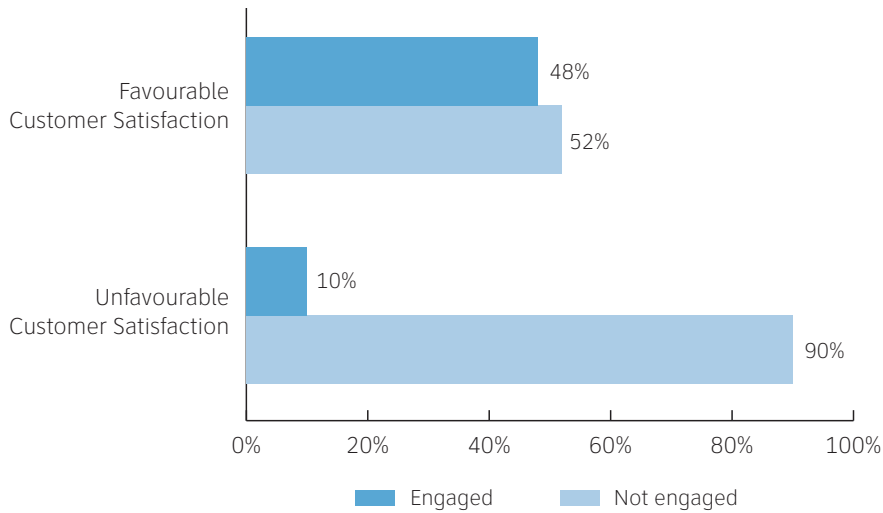
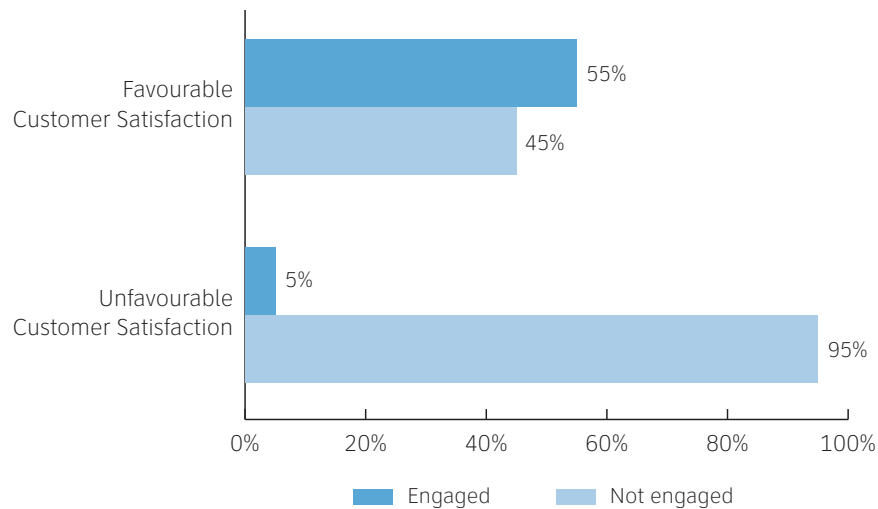


Figure 5b:
New Zealand Employee Engagement and Customer Satisfaction



Implications for Organisations

Research has consistently shown that employee engagement is powerfully linked to a range of success factors.

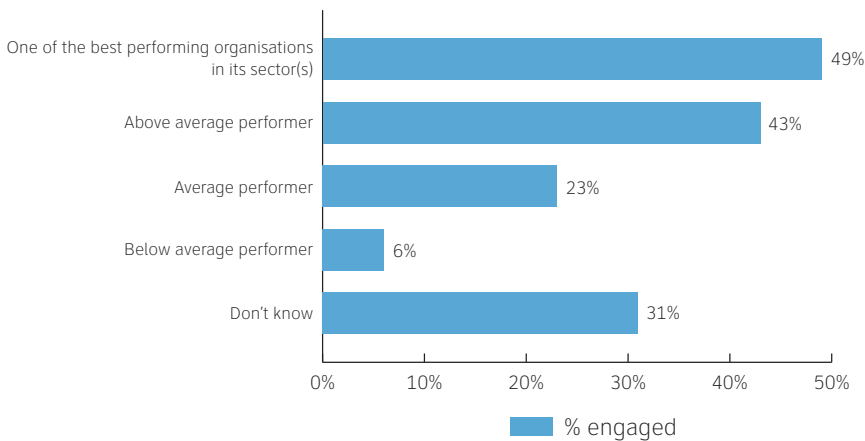
The factors include:

- Employee performance/efficiency^{2,3}
- Productivity⁴
- Safety^{5,6}
- Attendance and retention^{2,7}
- Customer service and satisfaction⁸
- Customer loyalty and retention⁹
- Profitability^{10,11}

Employee engagement is powerfully linked to a range of success factors

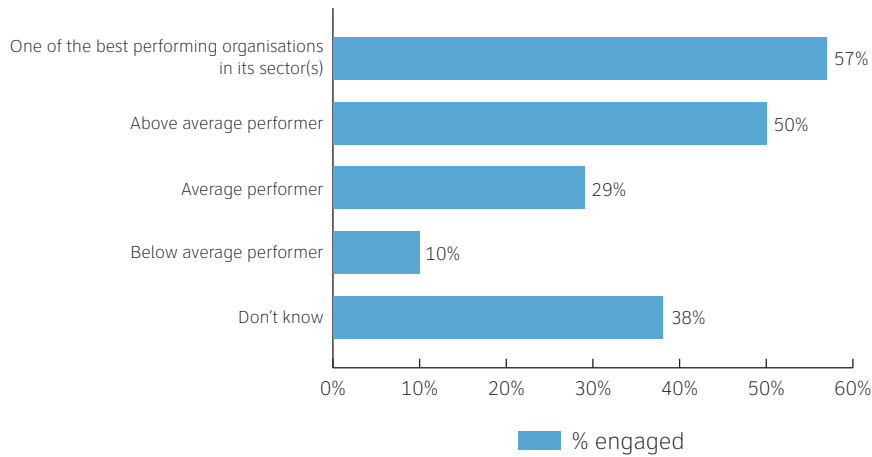
Our global study shows why engagement is so critical. These findings are detailed below.

Figure 6a: Australian Employee Engagement and Financial Performance



“To the best of your knowledge how does your organisation’s financial performance compare with others in its industry sector(s)? vs. engagement”

Figure 6b: New Zealand Employee Engagement and Financial Performance

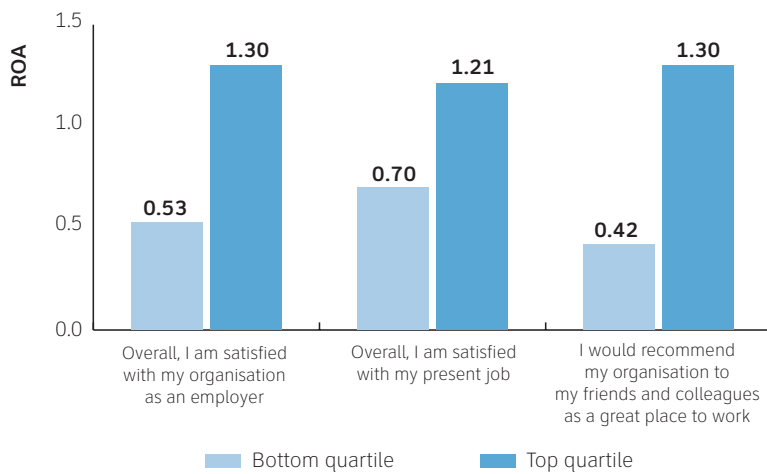


Supporting our recent 2009 study, in 2006 the University of Wisconsin conducted research independently of Right Management. This study used the Right Management engagement methodology and research data from 2006 which involved 3,200 employees, in 343 companies, and examined the relationship between engagement and key organisational indices.

The study found significant relationships between engagement and key organisational metrics.

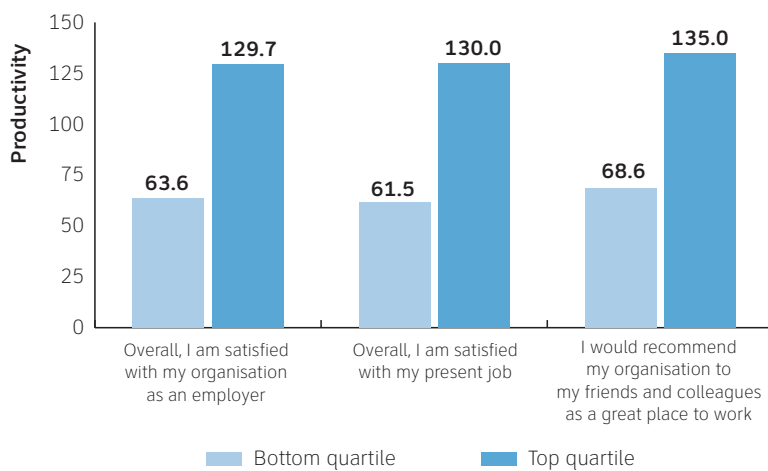
There was a clear difference in ROA (Return on Assets) between those organisations in which staff answered Right Management’s engagement questions positively, and those where staff were more critical of their organisation.

Figure 7: Engagement Impact on ROA



The link between productivity and engagement, which can be seen in the graph below was also very strong.

Figure 8: Engagement Impact on Productivity



Advice for Organisations

The challenge for business seems simple, to align and engage people to a clearly articulated strategy.

Kaplan and Norton¹² state that 'an organisation is aligned when all employees have a commonality of purpose, a shared vision, and an understanding of how their personal roles support the overall strategy.' The problem is that it is hard to get right. Organisational alignment requires a holistic, coordinated effort to ensure that a number of key elements or building blocks are in place.

So how do you achieve organisational effectiveness that is sustainable? The answer is through both executing strategy and engaging employees. Aligning and engaging people to a clearly articulated strategy requires:

- A 'fit for purpose' organisational structure where people understand what is expected of them and what they are accountable for
- People systems and processes that drive the right behaviours
- Capable leadership
- A positive work environment (culture)

Sustainable organisational effectiveness requires all of these elements, one without the other will not deliver engagement.

Aligning and engaging people to strategy requires a holistic, coordinated effort to ensure a number of key elements or building blocks are in place.

As illustrated in Figure 9 below, these elements drive the level of employee engagement in an organisation which in turn influences the customers' experience and ultimately the overall performance of an organisation in terms of productivity and profitability.

Figure 9: Organisational Effectiveness Framework



ORGANISATIONAL EFFECTIVENESS ELEMENTS:

Strategy	The role, purpose and strategic direction that summarises the work of the organisation and/or division being clear and appropriate.
Structure, Roles and Capability	Capable people doing the right work through a “fit for purpose” structure and clearly described role accountabilities and relationships.
Leadership	Leaders having the capability and capacity to drive sustainable business success.
People Management Systems and Processes	Leaders need to be supported by good people systems and processes. These systems and processes work in organisations to send messages, share information and make well informed decisions across the business. Organisational processes and systems are an extension of leadership, creating consistency and trust.
Culture and Values	A set of shared, basic assumptions about how to behave and carry out work within the organisation that is aligned to business strategy. The systems, symbols and behaviours that leaders and other employees are exposed to within an organisation must align to the desired culture to achieve the business strategy.
Employee Engagement	High numbers of engaged employees whose hearts and minds are aligned to both the job that they do and the organisation that they work for. Engaged employees are: <ul style="list-style-type: none"> • Satisfied with their current job and their organisation as an employer • Committed to making the job and organisation successful • Proud of their organisation and the work they do • Willing to positively talk about their job and the organisation
Customer Experience	High levels of customer satisfaction and loyalty achieved through employees being aware of customer needs, acting on customer feedback and being supported to deliver what customers require. Organisations are environmentally responsible and support the community.

Integration of the first five elements will produce powerful and mutually reinforcing impacts, an engaged workforce and a true performance culture. No single initiative can create organisational effectiveness; excellence is required across the full range of organisational elements if competitive strength is to be built.

Conclusion

Every organisation regardless of industry or country seeks to be more effective and achieve superior results. Business strategy is developed to achieve this. However, strategy amounts to nothing if it is not executed well. Successful execution occurs when structure, roles, capability, leadership, people management systems and culture are all aligned to the strategy.

While the elements of success are the same for all organisations, the answer for your business is unique to your strategy, your customers and your people. It is easy to discover the current reality and the drivers of success, the big challenge is in equipping your business to act and embed the change while remaining focused and aligned to the strategy.

The challenge brings a substantial return that ensures survival in a downturn and creates a competitive advantage when the economic upturn arrives. Business can't afford to get it wrong.

Footnotes

¹ For a list of definitions see Employee Engagement: A concept clean up BSI Consulting 2003 www.bsi.com.au.

² Holbeche, L., & Springett, N. (2003). *In Search of Meaning in the workplace*. Horsham, Roffey Park.

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⁶ May, D. R., Gilson, R. L., & Harter, L. M. (2004). The psychological conditions of meaningfulness, safety and availability and the engagement of the human spirit at work. *Journal of Occupational and Organizational Psychology*, 77, 11-37.

⁷ Schaufeli, W. B., Bakker, A., & Salanova, M. (2006). The measurement of work engagement with a short questionnaire: A cross-national study. *Educational and Psychological Measurement*, 66, 701-716.

⁸ Roberts, D. R., & Davenport, T. O. (2002). *Job engagement: Why it's important and how to improve it*. Wiley Periodicals, Inc, 21-29.

⁹ Gonrig, M. P. (2008). Customer loyalty and employee engagement: An alignment for value. *Journal of Business Strategy*, 29, 29-40.

¹⁰ Seijts, G. H., & Crim, D. (2006). What engages employees the most or, the ten C's of employee engagement. *Ivey Business Journal*, March/April, 1-5.

¹¹ Attridge, M. (2009). Employee work engagement: Best practices for employers. *Research Works: Partnership for Workplace Mental Health*, 1, 1-11.

¹² Kaplan, R. S & Norton, D. P. (2004) 'Measuring the strategic readiness of intangible assets'. *Harvard Business Review*, Feb2004, Vol. 82 Issue 2, p52-63.

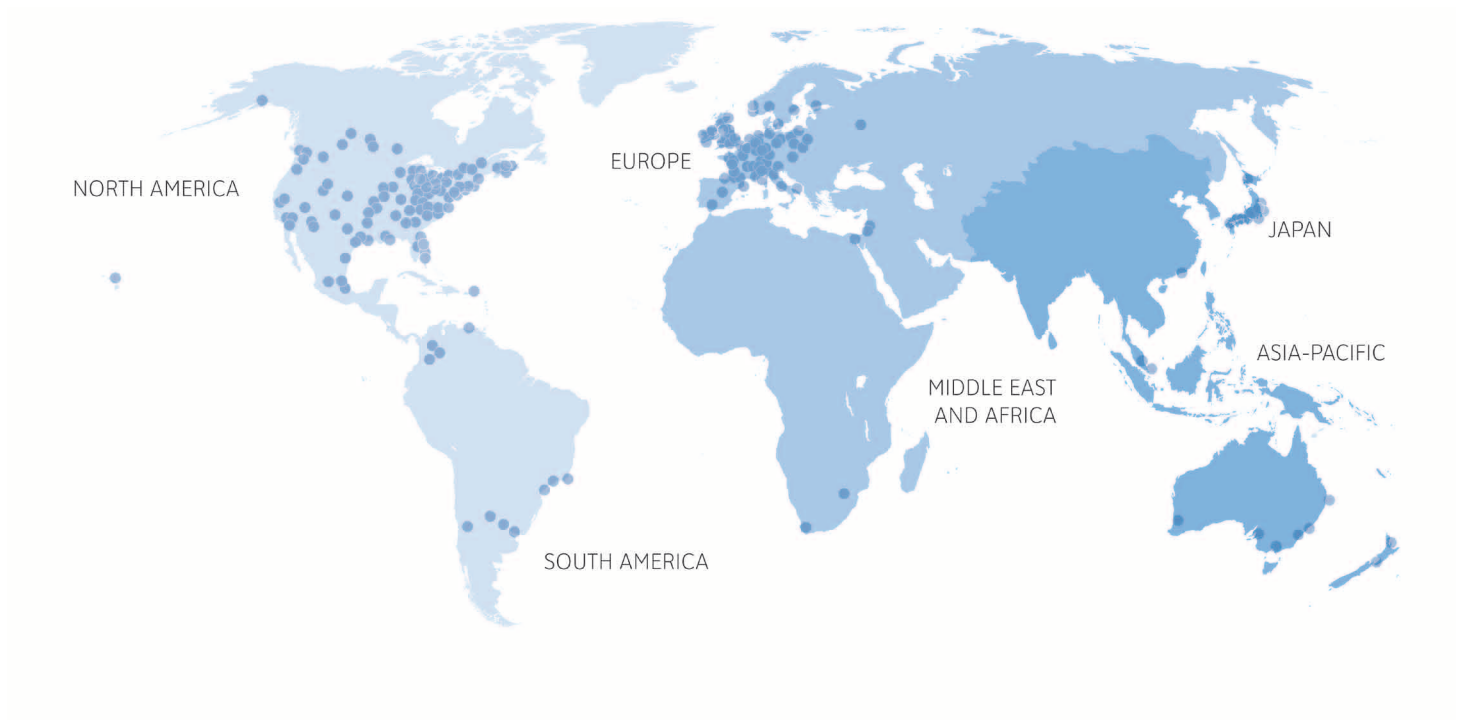
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Taiwan	Thailand	Turkey	Ukraine
United Kingdom	United Arab Emirates	United States	Venezuela

About Right Management

Right Management (www.right.com) is the talent and career management expert within Manpower, the global leader in employment services. Right Management helps clients win in the changing world of work by designing and executing workforce solutions that align talent strategy with business strategy. Our expertise spans Talent Assessment, Leader Development, Organisational Effectiveness, Employee Engagement, and Workforce Transition and Outplacement. With offices in over 50 countries, Right Management partners with companies of all sizes. More than 80% of Fortune 500 companies are currently working with us to help them grow talent, reduce costs and accelerate performance.

Right Management is a wholly owned subsidiary of Manpower Inc., leader in the employment services industry, creating and delivering services that enable its clients to win in the changing world of work.

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