

Employee Commitment Links to Bottom Line Success

TNS Intersearch Organizational Effectiveness Practice



Overview

A new global study by TNS demonstrates an innovative concept in human resource management and the link between employee attitudes and behaviors and bottom line business results. For the first time, segmentation, a methodology used by leading market research professionals to understand consumer behavior, has been applied to workforce management. The HR-adapted approach divides employees into psychological segments based upon their commitment to both their employer and to the type of work they do. The results provide new intelligence about employee behaviors and aspirations, as well as wants and needs, which yields insight into human resource management from initial hiring to development and retention strategies.

Using the new segmentation approach, TNS determined that the workforce in the top performing Fortune 500 companies has very different commitment and behavioral profiles than the workforce in poorer performing Fortune 500 companies. This difference is also seen when comparing many of the companies on Fortune's list of "The Most Admired" and "The 100 Best Companies to Work for in America" with companies that have a weaker employee focus.

Employees working for the top-performing Fortune 500 companies are much more achievement oriented. They report receiving higher performance evaluations, increased productivity during the last year, and have taken significantly fewer days off due to sickness or personal reasons. Additionally, these employees tend to rate their companies higher in the areas of business ethics, innovation and competitiveness. Their opinions about their companies' futures, as well as their own futures, are markedly different from those of employees in poorer performing Fortune 500 companies, and the U.S. employee population overall. Managers within these companies exhibit better leadership qualities, therefore receiving higher ratings from their staff for effective communication, employee development efforts, and emotional intelligence as it applies to leadership.

This paper addresses employee segmentation, what it means to have a greater proportion of highly committed employees, who these committed employees are, and what drives their commitment.

About the TNS Global Employee Commitment Segmentation Study

In late 2002, TNS conducted a worldwide survey of almost 20,000 workers across 33 countries. The employees surveyed in the U.S. ranged from corporate executives to front line and administrative employees from all industry groups. These U.S.-based employees worked for some of this country's, and the world's, largest organizations. The study segmented employees by using a battery of psychological metrics designed to measure employee commitment to their company and their job. It also measured various aspects of the job and workplace, e.g. leadership, rewards, development, workplace conditions and outlook for the future. In addition to the normative data established for each of the 33 countries, EmployeeScore,TM the analytical tool used for the segmentation, is what makes TNS' study unique.

Employee commitment defined

Most organizational research demonstrates that traditionally-defined employee satisfaction and, more recently, engagement and loyalty, do not go far enough to allow a link to actual corporate performance. TNS has developed a completely different process for understanding the complex psychological relationships employees have with their employers, jobs, managers and co-workers. This model uses the latest methods used by market researchers to segment consumers, but instead applies its fundamental principles to employees. After all, the same consumers that marketers have spent years segmenting and analyzing to better understand and predict behavior are also employees. Although their needs, wants and desires are carried into the workplace, employees had never been looked at as individuals. Traditional satisfaction and engagement measures had been applied as "one size fits all." As a result, money has been wasted on the wrong programs, initiatives and training, and retention efforts have been focused on the wrong employees.

The TNS tool used to understand employee commitment (EmployeeScore) is based on the company's proprietary customer segmentation methodology called the Conversion Model™. The Conversion Model is a validated measure of customer commitment to specific services and brands. It has been used in over 4,000 studies worldwide to evaluate commitment to hundreds of products.

EmployeeScore uses the Conversion Model algorithm and methodological underpinnings to individually measure an employee's commitment to their present employer and the kind of work they do. The model uses eight questions to ascertain the strength of the employee/company and the employee/type-of-work relationships. Specifically, the measures for each commitment component are defined as follows:

Commitment to the company

- Overall evaluation of the company
- Comparison of company to alternate companies at which the employee could work
- Intentions to stay with their current company
- Dedication to the company; does the employee really want to be there or is it merely a place to make a living

Commitment to the work they do

- Overall evaluation of their work
- Comparison of current work to alternate types of work that the employee could do
- Intentions to stay with their current type of work
- Dedication to their type of work; does the employee really want to do this or is it merely a source of income

Why Commitment?

Most studies are unable to link their metrics to the profitability of the company.

The EmployeeScore model then assigns each employee into one of four commitment segments.

Ambassadors: The most committed segment of employees, Ambassadors are fully committed to their company and to their work. These employees are the top performers—the most talented and skilled people in the organization—who demonstrate emotional intelligence and strong orientation toward achievement. Ninety percent (90%) have received superior performance ratings. Turnover is very low—less than 5%. Ambassadors tend to be mid-to upper level managers who have been with their companies for three years or more. This group should be the source of bench strength and succession planning.

Career Oriented: Also populated with many strong performers, the Career Oriented segment includes those at risk of leaving the organization. In fact, turnover in this segment can reach 40%. These are the highly talented, but lower skilled people who want the organization to provide them with the training and development they need to become key contributors. Some employees in this group with strong technical skills are chosen to be managers, but are not successful because of their “individual contributor” nature. For these reasons, employees in this segment are more dedicated to the needs of their career than to their company.

Company Oriented: Employees in this segment are the “solid corporate citizens”—those with a solid skill set, but limited talent. Although they should not be in line for succession planning, their strong team orientation and company dedication make the Company Oriented a very necessary group of employees. Their commitment to the company surpasses their commitment to their work and career.

Ambivalent: This segment includes the low talent and low skilled employees that no company wants. Unfortunately, every company, including the best performing, has Ambivalent employees—and at a surprisingly high level. They are neither committed to their company nor to their career.

Employee commitment in the United States

A plurality (41%) of U.S. employees fall into the Ambassador segment—those highly committed to the company and to their work. The U.S. level for Ambassadors is lower than levels in many other countries. The worldwide Ambassador figure is 44%.

Career Orientation

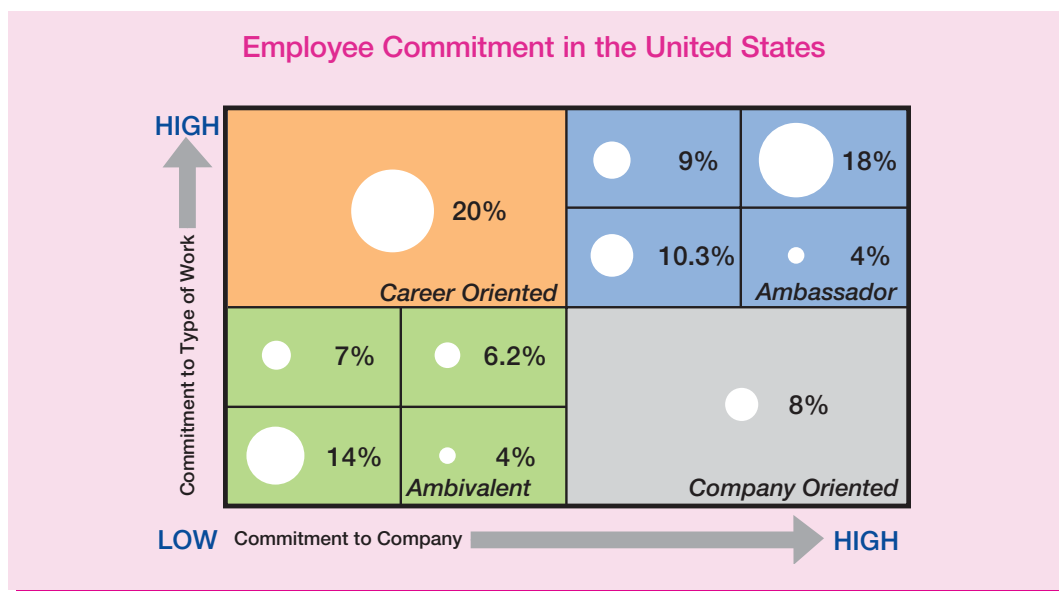
Career oriented employees make up 20% of U.S. employees vs. only 14% in the rest of the world.



The U.S. has a much larger percentage of Career Oriented (20%) than the rest of the world (14%). This segment is described as employees with a dominant focus on career over company. There are a number of possible reasons for the disproportionately high level of Career Oriented employees in the U.S., including the state of the economy, downsizing, and job mobility. Also, the vast number of highly trained employees in technical jobs in the U.S. contributes to the level of Career Oriented.

The Ambivalent segment, at the end of the continuum, represents almost one out of every three employees in the U.S. While the U.S. has a slightly lower level (31%) than the rest of the world (35%), it is still an alarmingly high figure.

To create a more precise and actionable commitment segmentation, the Ambassador and Ambivalent segments were dissected. The detailed results below illustrate the diverse levels of employee commitment within these two segments. While 41% of employees are Ambassadors, only 18% (in the top, right corner) are the epitome of this segment. These are the very best, most dedicated employees in any company. Conversely, within the Ambivalent segment, 14% of employees (in the bottom, left corner) constitute the core of this group — showing almost no commitment to either the company or their careers.



Clearly, there are opportunities to enhance commitment even within the Ambassador segment, as well as opportunities to further commit employees in the Ambivalent segment. But first, we must understand what motivates employees in each of these segments – what their drivers are, how they are similar, and how they are different.

Drivers of the most committed employees

Is it possible to create a high performance culture with highly committed employees? The results of this study suggest that, indeed, it is possible. The top three sectors (Ambassadors, Company Oriented and Career Oriented) all have separate and distinct drivers of commitment. The Ambivalent segment is not driven by any particular cultural attributes and is the most dissatisfied group across the board.

Commitment drivers for Ambassadors

At the highest level of employee commitment, Ambassadors are the best performers and are focused on their careers within the scope of the larger organization. Specifically, Ambassadors are team oriented, and individual contributions are made in the context of the larger team. The primary question asked by these employees is “How can we grow?” In that defining context lies the drivers of Ambassadorship. They are personally driven by opportunities to grow and advance within the organization, and to make a major contribution. A key point of differentiation between Ambassadors and their colleagues is their desire for a performance-based pay system and recognition when it is warranted.

The Ambassador’s list of drivers should be the focus of any organization that wants to retain its Ambassadors, as well as improve its culture and hiring processes to attract prospects with strong potential. The list of drivers, in diminishing order of impact, is as follows:

Drivers of Ambassadors	Performance management/achievement
	<ul style="list-style-type: none">• Company has an effective system for evaluating performance.• My ability to achieve and to move the company forward is a key reason why I work here.
	Leadership
	<ul style="list-style-type: none">• I have strong confidence in the leadership of this company.• I have strong confidence in my department leadership.
	Rewards/recognition
<ul style="list-style-type: none">• Better performance results in better pay and incentives.• Individual contributions are appropriately recognized.• The team and department are appropriately recognized for achievements.	
Training/development	
<ul style="list-style-type: none">• In the last year there have been opportunities for me to learn, grow and advance.• I am provided training opportunities so I can handle my job properly.• I am provided the opportunity to learn new skills and develop new talents.• I am provided training opportunities to help me qualify for a better job.	

Commitment drivers for the Career Oriented

The commitment drivers for Career Oriented employees are focused more on personal aspirations. These employees tend to be less team oriented at this point in their work lives, and care more about furthering their own careers. They are some of the top performers with strong potential, but need skill development and training. Their defining question is “Do I belong?” They need to be nurtured and brought more closely into the overall company culture. Some of the Career Oriented drivers are:

Drivers of Career Oriented Employees

Work culture/empowerment

- I have the opportunity to do what I do best every day.
- I have control over the way I work.
- I have sufficient authority to carry out my job effectively.

Performance management

- I know what I need to be successful at my job.
- I have a clear understanding of how my job performance is judged.

Personal aspirations

- I am proud of the work I do.

Training Needs

- I need more opportunities to learn new skills and develop new talents.
- I need more training opportunities to help me qualify for a better job.

Commitment drivers for Company Oriented

Company Oriented employees ask "What can I give?" Employees in this group are more motivated by being a part of the larger organization than employees in other groups. They probably would not be successful in running their own company or working independently, but they are a necessary part of the fabric of any company. Top and average performers are mixed in this segment. Their desire for stability and continuity can be a limiting factor; they do not lead others or go through organizational change well.

The issues that motivate Company Oriented employees are a good workplace setting that enables them to do their jobs, people at work who care for them as employees, equal opportunities for all employees, and clear and focused communications from the top down and bottom up.

Drivers of Company Oriented Employees

The company overall

- People at work have a real interest in my well being.
- My company's a fun place to work.
- I feel valued as an employee.
- My company has good physical working conditions.

Fairness

- Procedures for considering employees for job openings are fair.
- All employees are given equal opportunity.

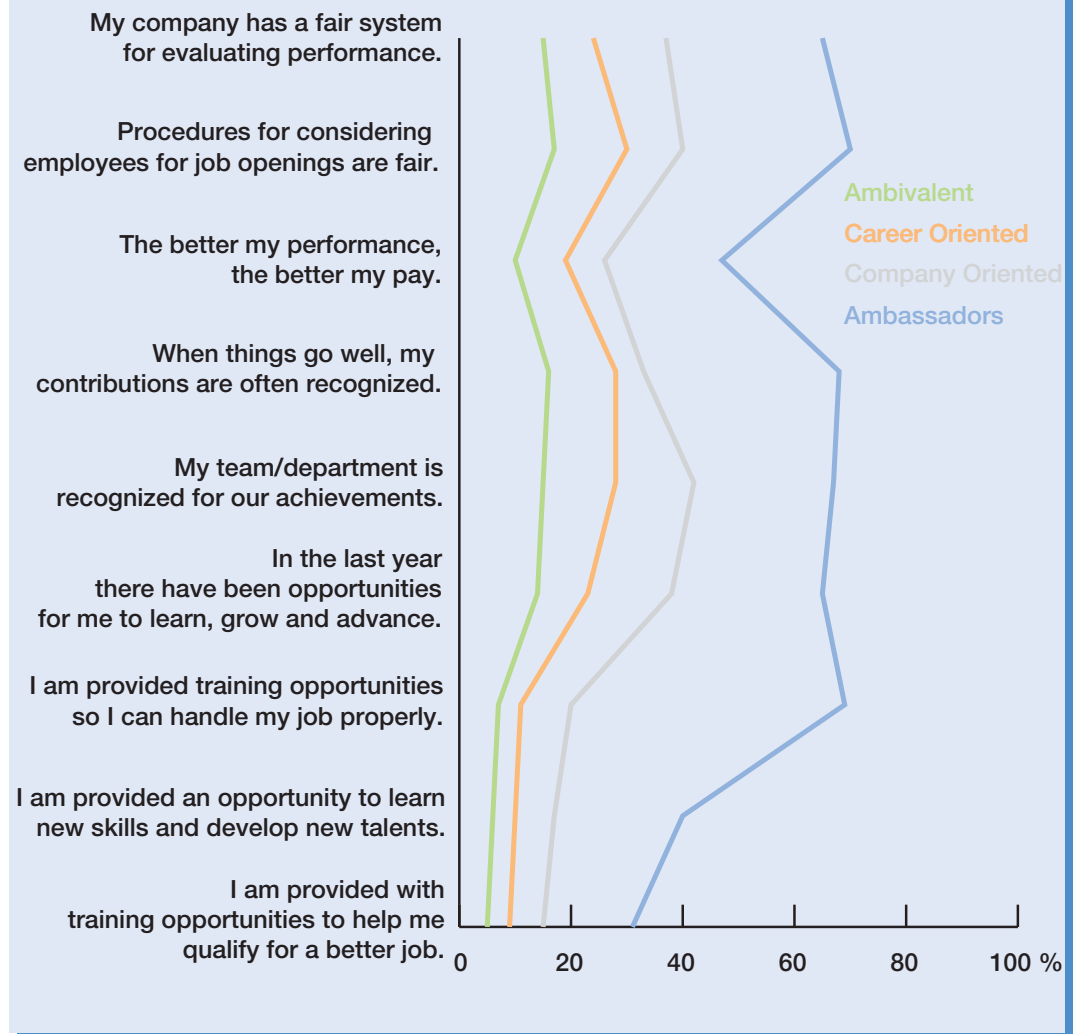
Rewards

- My benefits at this company are good.
- Overall, my company has good employee recognition programs.

Communications

- My ideas and suggestions are valued by the company.
- I have the information to do my job well.

Ambassador Profile Comparisons



(Percent rating a "4" or "5" on a five-point scale with "1" being low and "5" being high.)

Company Success and Commitment

High levels of commitment are evident within many industries that are doing well financially.

Commitment profile comparisons

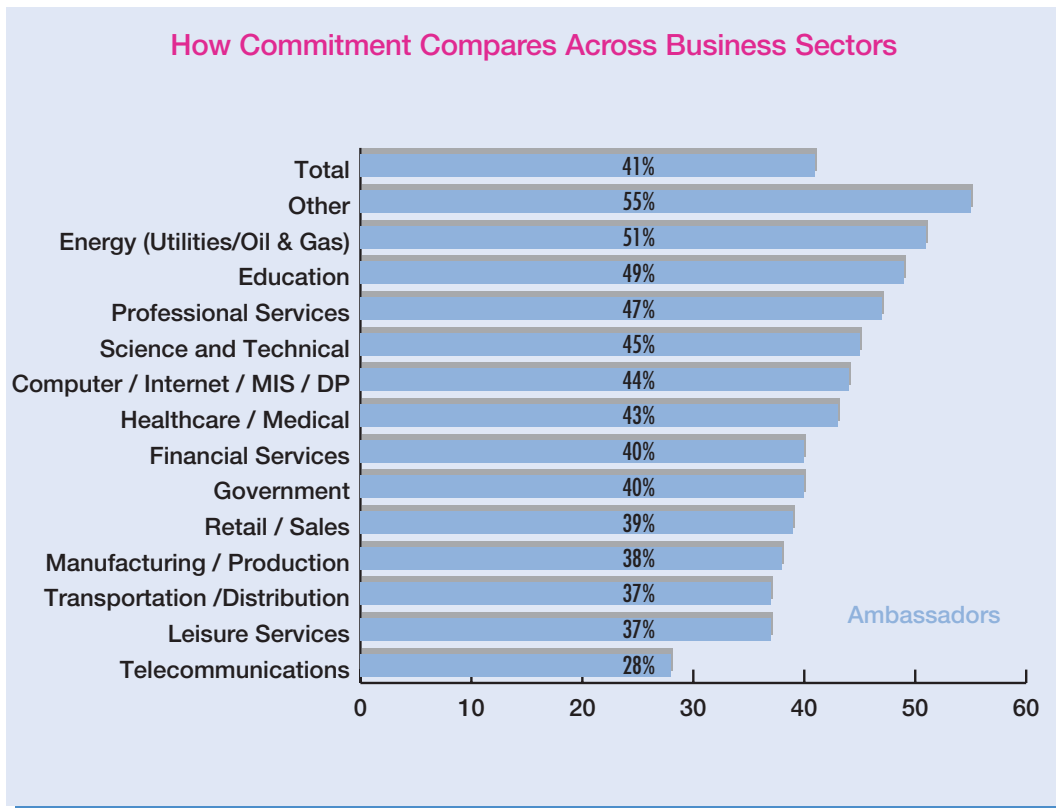
Ambassador and Company Oriented employees are much more satisfied with the various aspects of their company's culture, pay and benefits, and their personal development and opportunities for the future than Career Oriented or Ambivalent employees.

U.S. commitment profiles by industry

The Global Employee Commitment Survey captured information from thirteen major industry classifications: government, education, financial services, manufacturing, healthcare, retail, information technology, transportation/distribution, telecom, energy, leisure/hospitality, professional services, and sciences/technology. Overall commitment to job and company vary significantly from industry to industry.

The study results show that many employees in highly skilled jobs are strongly committed to their jobs, but not necessarily to their companies. Specifically, some of these workers include nurses, stockbrokers, IT professionals, business consultants, sales people, scientists and

technical professionals, and teachers. The chart below shows a correspondingly strong level of commitment to job over company for education, healthcare, information technology, business service, and finance. Industries with lower levels of job and company commitment include hospitality, retail, transportation, and manufacturing—almost all in current financial turmoil.



U.S. commitment profiles by company performance

More than 75% of employees who participated in the survey identified their employer. Of those, TNS identified 350 of the Fortune 500 companies. We then obtained financial information on 256 of the 350 companies by using annual reports and up-to-date quarterly financial reports. These 256 companies were classified into two performance categories based on their profitability standing in their respective industries using quarterly profit margins for the last quarter of 2001 and all of 2002.

Classifications

Top Performers: Includes 139 companies that had profits at least 50% higher than the average for their respective industries.

Poorer Performers: Includes 117 companies with profits that are below their industry average.

The table below shows that our top performing companies have nearly 25% more Ambassadors than our poorer performing companies. The top performers also have a significantly lower percentage of Career Oriented. Clearly, the differences would point to better hiring and development practices. The Company Oriented segment is similar in both performance categories—further evidence that this segment is a solid and stable part of any organization. Companies in both performance categories also have a substantial amount of Ambivalent employees, suggesting that the process of human resource management likely will never be perfected.

Commitment Levels		
Commitment Sector	Top Performing Companies	Poorer Performing Companies
Ambassadors	45%	36%
Company Oriented	15%	10%
Career Oriented	14%	24%
Ambivalent	26%	30%

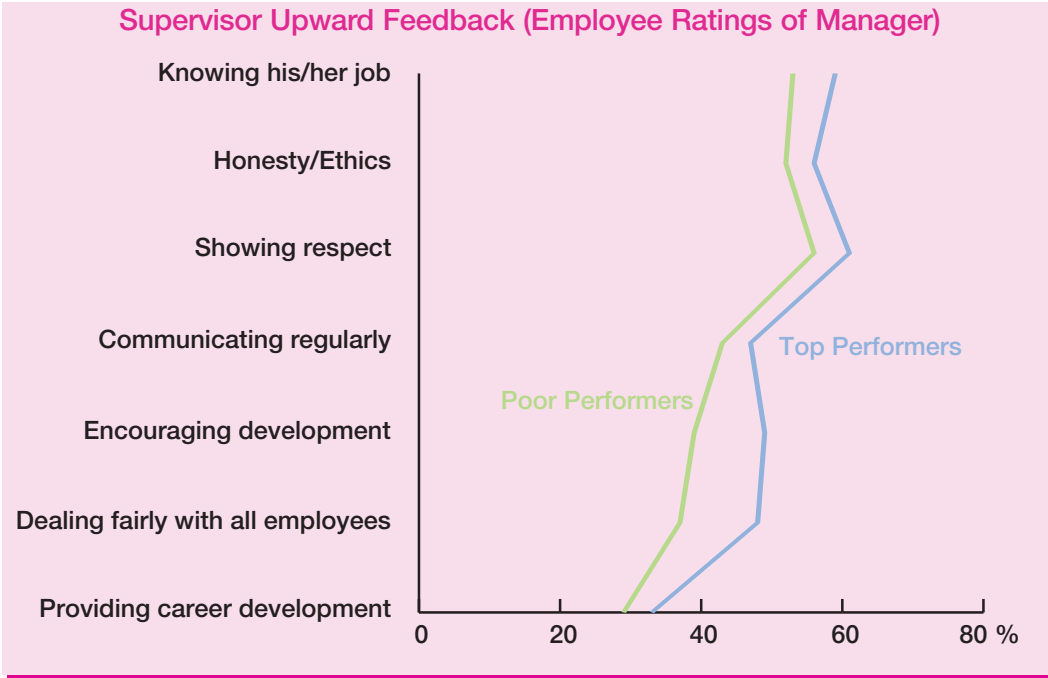
Ambassadors and Company Oriented employees exhibit a dramatically different attitude profile than Career Oriented and Ambivalent employees. They are more satisfied with their jobs, more likely to recommend their companies, and plan to stay at their companies longer. Also, they rate nearly every aspect of their company cultures higher than do their counterparts in our poorer performing companies. This pattern of employee attitudes tends to predict lower turnover, which ultimately has a positive impact on the company's bottom line.

Employees in the top performing companies have higher esteem for their organizations than their counterparts in poorer performing companies. They believe their companies are more innovative and competitive, practice higher levels of business ethics, create higher levels of service and product satisfaction, and are the best at what they do. These high commitment levels may be a factor in fostering the apparent "esprit de corps" exhibited within our top performing companies, and may be a key reason why these companies have their competitive edges.

Through additional investigation, we identified that ten of our top performers versus only one of our poor performers are named in the list of "100 Best Companies to Work for in America." Additionally, five of the top ten in Fortunes' "Most Admired" list are in our top performing group.

Management at the top performing companies

When asked to provide feedback on several key management competencies associated with highly productive cultures, employees from the top performing companies consistently rated their managers higher than those in our poor performing companies. Some of the key differentiators include the emphasis on employee development—key drivers for both Ambassadors and Career Oriented. Also, the managers in these top-performing companies exhibit a strong degree of emotional intelligence, dealing fairly with employees, displaying strong business ethics and communicating effectively. This is further evidence that highly committed and talented managers are one of, if not the primary, component in the employee commitment equation.



(Percent rating a "4" or "5" on a five-point scale with "1" being low and "5" being high)

Business impact of commitment

In examining performance-related behaviors that impact the bottom line, TNS' research uncovers that Ambassadors far exceed their counterparts in terms of productivity and turnover. They report receiving higher performance evaluations, increased productivity during the last year, and have taken significantly fewer days off due to sickness or personal reasons. The same statement is true for employees of our top performing companies.

Supervisors
Highly committed and talented managers can be a critical component in the employee commitment equation.

Impact on the bottom line?

A link between employee commitment as defined by the EmployeeScore algorithm and business results is evident.

The Conference Board estimates a loss of \$165 per missed workday for every employee in the U.S. Their estimates for turnover costs are: entry level—44% of annual salary; mid level—171% of annual salary; and top level—244% of annual salary. Combining these costs with the reported turnover and absenteeism levels in our survey, we estimate that the lack of highly committed employees cost our poorer performing group of companies an average of 6.9% from their bottom line. Clearly, a link between employee commitment, as defined by the EmployeeScore algorithm, and profit margin is evident.

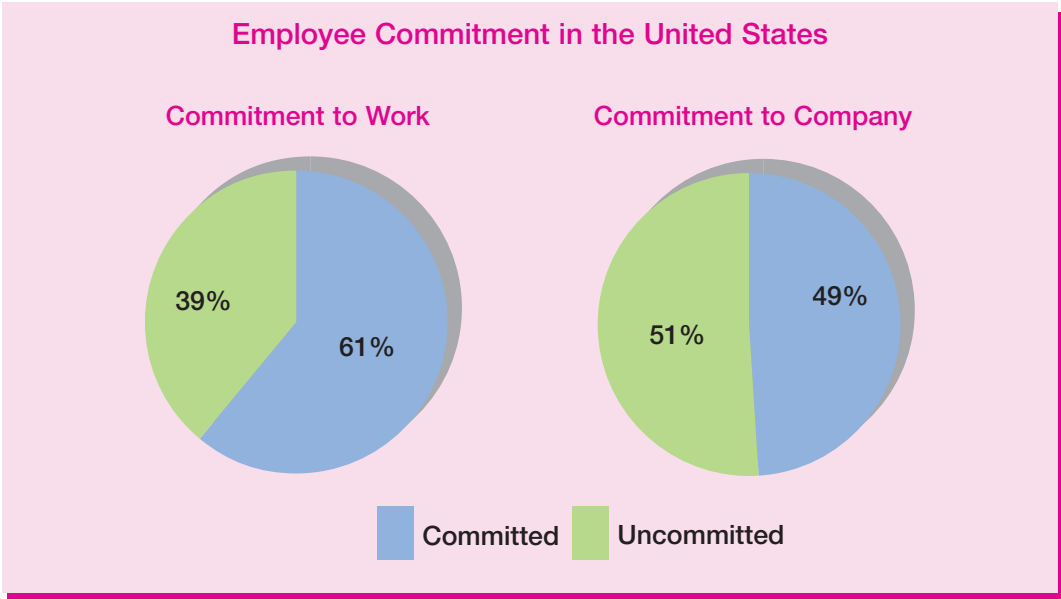
Commitment Segment	Average Days Absent	Superior Performance Ratings	More Productive this year	Percent Likely to Leave
Ambassadors (18% from top performing group)	3	72%	90%	5%
Ambivalent (14% from bottom performing group)	11	11%	18%	78%

U.S. versus worldwide commitment levels

Employee commitment levels vary widely around the globe. U.S. employees are somewhat less committed than employees in many other countries, with the U.S. ranking 11th out of the 33 countries included in this survey. The global study shows that those countries with a history of the strongest economies or strong emerging economies tend to have a higher level of overall commitment, including Germany, Australia, Mexico, U.S. and Great Britain. Given this finding, it is not surprising that Japan and Russia have very low levels of commitment, most likely due to the poor economic conditions currently prevailing in those two countries.

Low Commitment	Medium Commitment	High Commitment
Japan	United States	Germany
Bulgaria	South Africa	Israel
Korea	Great Britain	Sweden
Poland	Argentina	India
Czech Republic	Philippines	France
Latvia	Turkey	Mexico
Hong Kong	Vietnam	Norway
Taiwan	Thailand	Belgium
Lithuania	Finland	The Netherlands
Hungary	Estonia	Australia
Russia (Moscow)	Malaysia	New Zealand

In the U.S., levels of commitment to the company are much lower than commitment to the job. In fact, the U.S. ranks as the highest in terms of career commitment. This is probably related to historically high degrees of job mobility, which may promote lower levels of company commitment and, thus, lower overall commitment levels.



Employee commitment across global business sectors

Worldwide, the business sectors with the highest total commitment are:

- Educational Services
- Health Services
- Information Services

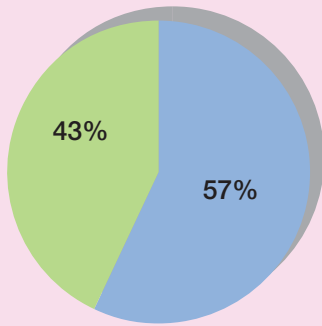


Similar to those in the U.S., worldwide results show commitment:

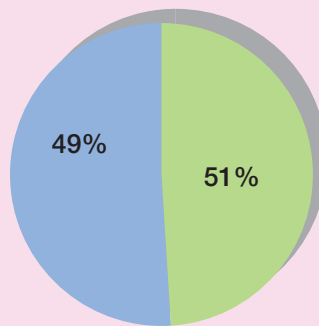
- Increases with age
- Increases as the employee moves up the corporate hierarchy
- Increases with tenure at the company
- Is higher in national and multinational companies

Employee Commitment – Worldwide

Commitment to Work

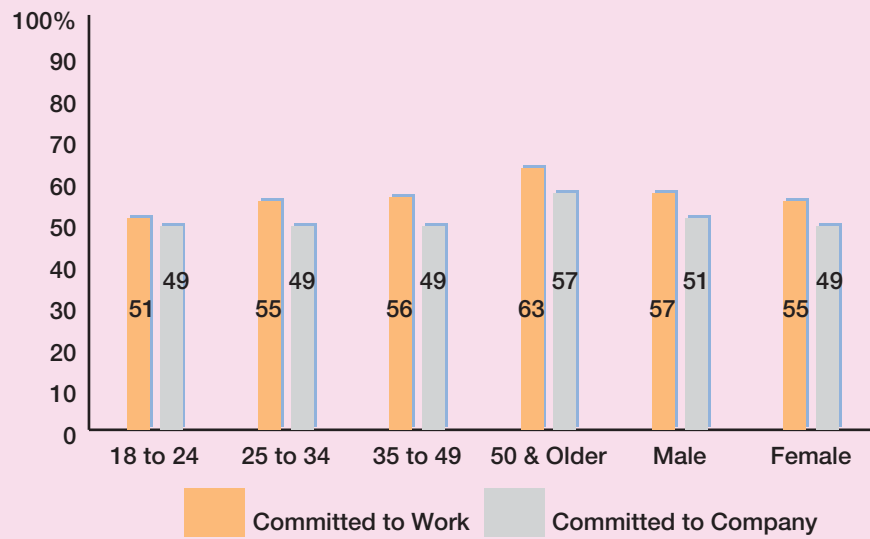


Commitment to Company



Committed Uncommitted

Commitment by Age and by Gender – Worldwide



Conclusion

Through our ongoing client engagements and the Global Employee Commitment Study, TNS has studied a wide variety of organizations. Our learning, that important human resource and cultural issues are common to nearly every organization, led to our development of the EmployeeScore commitment model. This tool was created to assist companies in better understanding and managing their employees.

The Global Employee Commitment Study demonstrates that successful companies have different employee commitment profiles than less successful organizations. We cannot say with complete confidence that employee commitment is driving performance. Indeed, it may be that company performance could be driving employee commitment. Nonetheless, common sense dictates that increasing investments to develop human capital has a direct impact on bottom line performance. This research supports that conclusion and is underscored by the fact that half of Fortune's "Ten Most Admired companies" and ten of the "100 Best Companies to Work for in America" are in our top performing group.

TNS has learned that successful companies are populated with top performing and fully-dedicated employees who have clear expectations of the organization and ongoing opportunities to contribute to something significant, while learning and growing as individuals. These top performing employees are also the ones that organizations can learn the most from in order to increase commitment throughout the ranks. Our choice in labeling them "Ambassadors" was not taken lightly. While not everyone can or will become an Ambassador, our research indicates that enhancing those factors that drive Ambassador commitment will increase the commitment of all other segments.

Employees in the four commitment segments are motivated by different factors within the organization. An effective approach must address these issues during hiring, development and retention. Additionally, while commitment can be increased in all the segments, the segments are not a continuum of one dimension.

The Ambassador segment includes the best attributes of the Career Oriented and Company Oriented. Focusing on issues like teamwork to motivate Company Oriented employees, while focusing on development and advancement opportunities to motivate the Career Oriented ones, can build a culture to create and nurture more Ambassadors. However, in doing so it is important to recognize that each company has a unique culture that impacts the different needs of each segment and to address these differences accordingly.

The self-reported productivity measures gathered in this study indicate that an investment in creating more Ambassadors and more focus on company culture would have positive financial implications. Respondents from this study will be tracked in a longitudinal effort to further measure the stability of their commitment and how it translates to turnover. The study will also be freshened with additional employees from the Fortune 500 and top performing companies for benchmarking purposes. Our goal is to further expand our learning about behaviors that help define these perceptions by studying success within our clients' organizations, in the U.S. and world landscape, at large.

About TNS Intersearch Organizational Effectiveness Practice

TNS Intersearch Organizational Effectiveness Practice is part of TNS, staffed with an international network of organizational research and market research experts. The Organizational Effectiveness Practice has developed a ground-breaking approach that links employee commitment to a company's bottom line performance. This approach is supplemented by the only ongoing international benchmarking study of employee commitment. Specializing in the critical areas of organizational research, the Organizational Effectiveness Practice has established a protocol for implementing change within an organization.

TNS Intersearch is a member of TNS, one of the world's largest information companies. More information about the Organizational Effectiveness Practice can be found on our Web site at www.tns-i.com.

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