



## EXECUTIVE SUMMARY

### The Road to an Engaged Workforce

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#### OVERVIEW

For last year's Summit, a research study was conducted to assess the drivers of employee satisfaction and engagement and the downstream customer and financial implications of these important employee attitudes. This research identified several unique organizational characteristics driving employee engagement, including employee satisfaction, and identified organizational communication as a key driver of employee satisfaction. This research also solidified our understanding of the direct and indirect outcomes affected by employee satisfaction and engagement – namely, customer satisfaction (direct for employee satisfaction), customer behavior (indirect for employee engagement), and financial performance (indirect for both employee satisfaction and engagement).

To follow up this study, the next step is to better understand the other levers available to managers within an organization to improve the key employee attitudes of satisfaction and engagement. These levers potentially include other employee attitudes (e.g., customer service orientation), as well as other organizational characteristics not studied in last year's study (e.g., role conflict, role clarity, inter-unit coordination), and human resource systems (e.g., selection, compensation, performance management, and training).

The primary goal with this study is to better understand how the complexities of an organization fit together to create an optimally functioning system. The employee attitudes, organizational characteristics, and human resource systems to be studied here could be looked upon as leading indicators within the organization that a satisfied and/or engaged workforce has been created. In addition, these factors may well be directly linked with the antecedents to employee satisfaction and engagement identified in the previous study, providing additional levers for organizations to influence these critical employee attitudes.

The goal with last year's study was to identify the marketing and financial outcomes directly impacted by the key employee attitudes of satisfaction and engagement. In addition, identification of the direct antecedents for these attitudes was a prescribed goal in order to construct a picture of what a management team needs to have in place to build a satisfied and engaged workforce. What was lacking in the first study was a description of the levers that managers must pull to paint this organizational picture. In other words, the study identified what needed to be there for successfully creating a

satisfied and engaged workforce, but not necessarily *how* to create it.

This Executive Summary provides an overview of the key findings from the study and then provides more specific data to support these findings.

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## **SUMMARY OF KEY FINDINGS:**

### **Key findings from the study include the following:**

- There is a direct link between human resource systems and organizational culture – i.e., systems related to development, performance management, and compensation operate as levers for managers to influence the organization’s culture
- Employee satisfaction and employee engagement have a unique set of direct organizational climate drivers
- The key drivers impacting employee satisfaction include an employee’s intention to remain in the organization, the skill variety employees are able to exhibit in their job, the level of customer service orientation achieved, and the degree of coordination between units of the organization
- The key drivers of employee engagement include reduced role conflict, proper training, personal autonomy, and the effective utilization of expert, referent, and exchange power by managers
- While satisfaction and engagement have unique 1<sup>st</sup> order drivers, they share a number of 2<sup>nd</sup> order drivers
  - The crucial takeaway from this finding is that efforts to improve these 2<sup>nd</sup> order drivers are likely to have valuable downstream effects on both satisfaction and engagement

Overall, there are a number of levers available to managers to influence the key employee attitudes of satisfaction and engagement, and these levers are, in general, more tangible and accessible than the amorphous concepts of organizational culture and employee attitudes.

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## **FORUM BACKGROUND**

### **What is the Forum for People Performance Management and Measurement?**

The Forum for People Performance Management and Measurement is a research center within the Medill Integrated Marketing Communications (IMC) graduate program at Northwestern University. It is funded by the Incentive Performance Center, which is made up of a number of top incentive companies and industry leaders dedicated to research and educational programs that improve human performance in business. A central objective of the Forum is to develop and disseminate knowledge about communications, engagement and management such that businesses can better design, implement and manage people-based initiatives both inside and outside an organization.

A number of research initiatives by the Forum are planned over the

next several years to investigate the value and importance of employee incentives along with the other key issues of communications, engagement, and management.

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## **PAST RESEARCH**

The current study will focus on those levers available to the organization to facilitate a satisfied and engaged workforce, and move our understanding further in the direction of understanding both what needs to be in place and how to get there. The previous study provided an understanding of the value of employee satisfaction and engagement – organizations with satisfied employees have an engaged workforce and more satisfied customers, and the engaged workforce leads to customer's using more of the organization's products or services. The downstream result of all of this activity is a more profitable organization, a worthy goal for any organizational activity. The lens for this year's study will be turned inside the organization to provide additional information and clarity for understanding how to optimize the organization to achieve these desired marketing and financial outcomes.

Previous work in this area has helped to understand the value of a satisfied and engaged workforce, and offered an understanding of the organizational characteristics necessary for stimulating these employee attitudes. The present study focuses the research lens tighter on the internal organizational characteristics with a goal of delineating how these characteristics can act as levers for the management team to create the optimal organizational environment for engendering an engaged workforce.

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## **THEORETICAL BACKGROUND**

In this section, we will provide a brief background on the organizational characteristics under study and their expected influence on the employee attitudes of interest, primarily satisfaction and engagement. We will address three sets of organizational characteristics: organizational culture, organizational climate, and human resource systems.

### **Organizational Culture:**

Organizational culture has been defined as the set of shared assumptions and beliefs about an organization and its function in the marketplace<sup>1</sup> or "the ways of thinking, behaving, and believing that members of a social unit have in common"<sup>2</sup>. As such, culture has been commonly treated by organizational researchers as a set of cognitions shared by members of a social unit.

According to these previous researchers, an organization's culture is

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<sup>1</sup> Barney, J.B. (1986), "Organizational Culture: Can It Be a Source of Sustained Competitive Advantage?," *Academy of Management Review*, 11(3), 656-665.

<sup>2</sup> Cooke, R.A. and Rousseau, D.M. (1988), "Behavioral Norms and Expectations: A Quantitative Approach to the Assessment of Organizational Culture," *Group & Organization Studies*, 13 (3), 245-273.

thought to play a key role in strategy formulation, firm performance, and competitive advantage. Culture may also have indirect effects on performance in benefiting other aspects of an organization. For example, researchers<sup>3</sup> have found that organizational culture is linked to service quality and employee performance, both of which have been identified as fundamental links in Harvard's *Service Profit Chain* leading to subsequent consumer and financial success indicators.

The current study utilizes Cooke and Rousseau's (1988) cultural model which identifies four different cultural types found in organizations: *Cooperative*, *Competitive*, *Passive*, and *Aggressive*. We will address each type in turn.

*Cooperative Culture.* Members of organizations with cooperative cultures are encouraged to set goals, take initiative, and work together to attain personal and organization objectives. Cooperative styles imply a high valuation on individuals and are expected to be associated with greater decision authority and greater confidence that the distributed authority will not be abused. Cooperative norms encourage behaviors such as goal attainment, enjoying one's work, and maintaining one's personal integrity and standards.

*Competitive Culture.* In organizations with competitive cultural norms, members are typically rewarded for taking charge and being in control. In such organizations, winning is often highly valued and members are rewarded for out-performing each other. Such an approach has been used effectively in designing sales force incentives and other compensation schemes. A competitive culture encourages decisiveness, rewards achievement, and creates an environment of high expectations. On the other hand, an overly competitive culture can inhibit effectiveness by reducing cooperation and promoting unrealistic standards of performance.

*Passive Culture.* In organizations where a passive culture dominates, conflicts are avoided and members feel as if they must agree with, gain the approval of, and be liked by others. Such organizations tend to be conservative, traditional, and bureaucratically controlled, where members are expected to follow the rules and make a good impression. This type of work environment can limit organizational effectiveness by minimizing constructive expression of ideas and opinions, suppressing innovation, and stifling flexibility.

*Aggressive Culture.* Aggressive norms minimize influence at lower levels by emphasizing adherence to directives and authority. Aggressive norms promote such behaviors as procrastination, inflexibly following rules and procedures, waiting for direction from superiors before acting, and could also cause service quality to

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<sup>3</sup> Klein, A.S., Masi, R.J., and Weidner, C.K. (1995), "Organization Culture, Distribution and Amount of Control, and Perceptions of Quality: An Empirical Study of Linkages," *Group & Organization Management*, 20 (2), 122-148.

<sup>4</sup> Deshpandé, R. and Webster, F.E. (1989), "Organizational Culture and Marketing: Defining the Research Agenda," *Journal of Marketing*, 53 (1), 3-15.

<sup>5</sup> Huselid, M.A. (1995), "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, 38 (3), 635-672.

become confused with winning power and pointing out the flaws of others.

### **Organizational Climate:**

Organizational climate reflects the way that organizations operationalize their culture in daily routines and behaviors<sup>4</sup>. Organizational climate represents workers perception of their objective work situation, including the characteristics of the organization they work for and the nature of their relationships with other people while doing their job.

Issues regarding an employee's role in the organization, training, inter-unit coordination, empowerment, autonomy, skill variety, and customer service orientation are the key climate factors of interest in this study. Clearly defined roles with little bureaucratic conflict, along with a proper degree of autonomy and empowerment create a sense of value for employees. In addition, appropriate training, the ability to utilize a variety of different skills, and a feel of significance also create a viable environment to focus on the customer. However, without coordination across the organization, this will all break down.

### **Human Resource Systems:**

Key managerial systems identified in previous research include selection, development, performance management, and compensation systems<sup>5</sup>. In drawing prospective employees to fit the organization's strategies, successful managers select hires based on those traits. Training and development further enhances the development of those skills and the acquisition of new, trainable skills. Human resource initiatives aimed at providing employees with the necessary skills and tools to deliver customer value cannot be viewed as costs, but rather must be regarded as investments with high and measurable returns. Previous theory also states that one of the primary keys to developing a strong organization lies in the way employees are compensated and rewarded. For example, when compensation systems are keyed to market driven indicators, appropriate behavior is reinforced.

### **Summary:**

This current Forum for People Performance study is an attempt to add to the compelling evidence of these previous studies by specifically inquiring about a critical employee attitudes and linking them with their organizational culture, climate, and human resource system.

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## **METHODOLOGY**

There are two broad approaches to organizational studies – one can sample organizations across industries or within industries. There are some problems with mixing organizations across industries, including the difficulty in constructing items to measure the same concept in different contexts. In addition, while the heterogeneity obtained by sampling organizations from a variety of industries

provides valued generality, it also creates unwanted noise in the data that may obscure the effects one is searching for. Thus, for this research we selected the within industry approach to maximize item interpretability across organizations, as well as to avoid some of the undesired effects of organizational heterogeneity.

All of the organizations selected for study are involved in the U.S. media industry. In seeking to obtain as representative a sample of organizations as possible, one hundred organizations were selected from the media universe in the United States in a stratified random sampling procedure. The universe, representing approximately 1,500 organizations, was divided into six strata based on market size, region of the country, and organizational size. The stratification increases confidence that this sample of organizations generalizes to the industry level, and the homogeneous sample provides a viable context for understanding the nature of the conceptual relationships under study.

All research instruments, with the exception of financial performance data, were survey based. All analysis conducted on the data involved OLS regression performed in multiple stages. All data was aggregated to the organizational level for analysis.

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## **RESPONDENTS AND MEASURES**

Within each of the 100 organizations selected for this study, a project manager was identified as our key research contact. This project manager worked with the research team to identify the managerial teams and individual employees necessary for completing the survey instruments for the study.

### **Employee Satisfaction and Engagement:**

Measures regarding employee satisfaction and engagement were drawn from the *Organizational Effectiveness Inventory*<sup>6</sup> (OEI) and were completed by 5,568 employee respondents representing 90 of the 100 organizations in the overall sample. The project manager at each organization was utilized in identifying employee respondents and ensuring the completion of the surveys. Respondents were randomly selected from the key operational areas of the organization (e.g., product development, operations, marketing, and administration). The number of respondents from each area of the organization was proportional to the size of that area relative to the rest of the organization, and sampling from each organization was proportional to the size of the organization relative to the other organizations in the sample. This purposive and proportional sampling technique resulted in the number of sampled employees ranging from 15 to 344 (mean = 59.5).

The scales for employee satisfaction relate to employee perspectives for the following dimensions: stress, job satisfaction, and quality of service. Stress refers to the extent to which people feel

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<sup>6</sup> *Organizational Effectiveness Inventory* is a Trademark of Human Synergistics/Center for Applied Research International. The Inventory and supporting materials are Copyrighted © 2000 by Human Synergistics/Center for Applied Research, Inc.

they are being pushed beyond their normal range of comfort by organizational demands, pressures, or conflicts. Job satisfaction covers issues related to the extent to which members report positive appraisals of their work situation. Quality of service refers to the extent to which members believe they are responsible for identifying and satisfying the needs of customers.

The scales for employee engagement relate to employee perspectives on the following dimensions: inspiration, personal involvement, and supportiveness. Inspiration refers to the extent to which forces within and on organizational members lead them to behave in ways consistent with organizational goal attainment. Personal involvement is focused on the extent to which people at all levels actively participate in shaping the organization and helping it to achieve its mission. Supportiveness covers issues related to the extent to which managers are personally supportive and considerate of their direct reports.

### **Organizational Culture:**

Organizational culture was measured using the *Organizational Culture Inventory*<sup>7</sup> (OCI) which was completed by the same 5,568 employees representing 90 of the organizations in the overall sample. The OCI is a 120-item, 12-factor scale designed to measure an individual respondent's perceptions of his or her organization's culture. The OCI assesses the ways in which organizational members are expected to think and behave in relation both to their tasks and to other people.

### **Organizational Climate:**

Organizational routines were measured using the OEI as described above. In addition to measuring employee attitudes, the OEI is designed to measure an individual respondent's perceptions of various managerial practices and operationalizations of an organization's culture. This inventory was completed by the same set of 5,568 employees that completed the Organizational Culture Inventory (OCI). The particular scales selected as measures for organizational routines in this particular study include role clarity, role conflict, inter-unit coordination, training, customer service orientation, skill variety, empowerment, autonomy, intention to stay, and job significance.

### **Human Resource Systems:**

The *People Management Practices*<sup>8</sup> survey was designed to collect information on the department level managerial practices within the organization. In total, 269 groups of senior managers representing 83 of the organizations involved in the study completed the survey

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<sup>7</sup> *Organizational Culture Inventory* is a Trademark of Human Synergetics International. The Inventory and supporting materials are Copyrighted © 1989 by Human Synergetics, Inc.

<sup>8</sup> The *People Management Practices* survey is Copyrighted © 2000 by Roberts, Nathanson, and Wolfson LLP.

as a group. We were not concerned with individual perceptions of managerial practices, but rather with departmental level views regarding these practices, so this method of completing the survey seems appropriate. The survey consisted of 76 items covering the four factors of selection, development, performance management, and compensation.

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## RESEARCH QUESTIONS

The present research will study the levers available to managers to improve employee satisfaction and engagement, two key employee attitudes identified in previous research as having critical downstream effects on customer behavior and financial performance. We address three classes of structural questions:

- First, following the results from last year's study, where different cultural styles had different effects on employee engagement, which human resource systems are available to managers to facilitate positive cultural styles and which are available to suppress negative styles?
  - Second, what impact do the organizational climate factors have on satisfaction and engagement?
  - Third, taking things a step further out, what are the drivers of these climate factors that directly impact satisfaction and engagement?
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## RESULTS

### 1. Which human resource systems are available to managers to facilitate positive cultural styles and which are available to suppress negative styles?

In last year's study, a healthy mix of cooperative and competitive cultural styles was identified as optimal, while passive and aggressive styles undermined the engagement level. The literature on organizational culture indicates that managers do not have a direct effect on the organization's culture – the culture is a dynamic organism that develops over time, permeates the entire organization, and is a variable that impacts a great deal of what happens within the organization. But, it is, to a degree, ethereal in nature – the culture of the organization is something that can be understood, but it cannot be seen, felt, or heard. However, managers can use human resource systems to steer the organization toward a particular cultural style<sup>9</sup>.

The human resource systems available to managers generally include processes focused on selection, development, performance management, and compensation. What we find in the present study is that selection does not have any impact on the cultural style of the organization. That is, most employees can be encultured into the organization through development, performance management, and compensation processes, all of which have direct effects on the cultural style of the organization.

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<sup>9</sup> Huselid, Mark A. (1995), "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, 38 (3), 635-672.

Specifically, a focus on each individual employee's personal development and a constructive appraisal process were identified as levers for facilitating a cooperative cultural style. The appraisal process was also identified as a viable lever for engendering a competitive cultural style – indicating that, through the appraisal process, managers can work with their employees on creating that healthy mix of a cooperative and competitive culture. In addition, and not surprisingly, pay-for-performance was identified as a significant tool for creating a competitive culture.

**Table 1 – Variables that Determine Constructive Culture**  
**R<sup>2</sup>= 0.22**

Variable	Std. Estimate (β)	P-Value
Appraisal Process	0.43	0.0001
Personal Development	0.20	0.07

**Table 2 – Variables that Determine Competitive Culture**  
**R<sup>2</sup>= 0.19**

Variable	Std. Estimate (β)	P-Value
Appraisal Process	0.29	0.01
Personal Development	0.51	0.001
Pay for Performance	0.30	0.04

On the other hand, while we are interested in levers to facilitate the support of both competitive and cooperative cultural styles, we are also interested in levers to suppress the negatively-biased passive and aggressive cultural styles. Here again, we see personal development making an impact – an organizational focus on development its employees suppresses both the passive and aggressive cultural styles. However, a pay-for-performance compensation scheme enhances an aggressive cultural style. That is, a compensation program based on rewarding individuals for *individual* performance facilitates an aggressive culture in the organization, with this cultural style being negatively related to creating an engaged workforce. Therefore, pay-for-performance, a commonly used employee incentive, has potential negative and positive ramifications – this would appear to be a “use at your own risk” management tool.

**Table 3 – Variables that Determine Aggressive Culture**  
**R<sup>2</sup>= 0.16**

Variable	Std. Estimate (β)	P-Value
Personal Development	-0.51	0.0007
Pay for Performance	0.39	0.006

**Table 4 – Variables that Determine Passive Culture**  
**R<sup>2</sup>= 0.05**

Variable	Std. Estimate (β)	P-Value
Personal Development	-0.28	0.05

Hence, what we find with human resource systems is that, while they do not directly impact employee satisfaction and

engagement, these systems operate as levers for managers to influence the organizational culture which does directly impact satisfaction and engagement.

## 2. What impact do the organizational climate factors have on satisfaction and engagement?

In assessing the drivers of employee satisfaction and engagement, priority was given in the previous study to the effects of culture and organizational routines like communication. The current study focuses more closely on organizational climate factors that come into play when attempting to create an organizational environment likely to engender satisfied and engaged employees. In addition, these climate factors can be regarded as leading indicators of satisfaction and engagement – i.e., since these climate factors are directly related to satisfaction and engagement, assessing their levels may serve as an indication that the organization is moving in the appropriate direction, despite the fact that the changes may not yet be measurable in terms of actual satisfaction and engagement.

Since employee satisfaction was previously identified as an antecedent to engagement, we will examine satisfaction first. The extent to which employees intend to remain with the organization is identified as an indicator of their level of satisfaction. In other words, the more likely employees are to indicate their intention to stay, the more likely they are to be satisfied with the organization and their status as an employee. In addition, the extent to which employees across organizational units cooperate to articulate inter-unit activities and minimize disruptions, delays, and interference appears as an indicator of satisfaction. That is, employees are more satisfied with the organization and their role within it if they feel that the organization coordinates activities well between subunits – in other words, they feel more satisfied being a part of a well structured and coordinated organization.

Another indicator of employee satisfaction is skill variety, defined here as the degree to which employees feel their job involves different tasks that require a wide range of personal skills and competencies. This finding indicates that employees feel more satisfied if given the opportunity to stretch their wings a bit. Finally, employees are more satisfied if they believe they are responsible for identifying and satisfying the needs of customers, and they believe that the organization has the best interests of its customers in mind. This fits very strongly with the finding from the previous study that employee satisfaction is directly related to customer satisfaction – it would appear that when employees are more satisfied, they have an inherent focus on making sure the customer is too.

**Table 5 – Variables that Determine Employee Satisfaction**

**R<sup>2</sup> = 0.58**

Variable	Std. Estimate (β)	P-Value
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Intention to Stay	0.31	0.0001
Inter-Unit Coordination	0.36	0.0001
Skill Variety	0.30	0.0002
Customer Service Orientation	0.24	0.004

Moving on, we find that engagement has a unique set of climate antecedents from satisfaction. In particular, we find that 1 climate factor acts to potentially suppress engagement, with 3 climate factors positively influencing employee engagement. The extent to which members receive inconsistent expectations from the organization and are expected to do things that conflict with what they believe to be correct is identified as a factor negatively impacting engagement. The organization must provide clear and consistent information to employees, and must take into consideration the ramifications of that information – employees are unlikely to be motivated to blindly follow instructions merely because they are given. They may follow such instructions, but if the instructions or expectations are counter to what the employee feels to be appropriate, engagement will not occur.

In addition to role conflict's negative effects on engagement, there are three climate factors that positively influence engagement, including training, autonomy, and personal power. The training factor here refers to the extent to which employees, both new and existing, are provided with the type of orientation and training that promotes their personal development as well as their contributions to the organization. Autonomy is defined as the degree to which the job provides freedom and discretion to the employee with respect to scheduling and work procedures. And personal power can be described as the extent to which employees are influenced by their supervisors' technical expertise or managerial competence (i.e., expert power), the respect that they have for their supervisors (i.e., referent power), or their supervisors' willingness to be influenced by them (i.e., exchange power). All of these factors are related to feelings on the part of the employee regarding personal value, respect, and freedom. Thus, engagement is largely driven by the employee feeling that the organization values his or her contribution, and that the organization will do its best to remove barriers from getting the job done.

**Table 6 – Variables that Determine Employee Engagement**  
**R<sup>2</sup>= 0.92**

Variable	Std. Estimate ( $\beta$ )	P-Value
Role Conflict	-0.17	0.005
Training	0.41	0.0001
Autonomy	0.09	0.04
Personal Power	0.29	0.0001

Employee satisfaction has been identified as a key antecedent to employee engagement, with both having direct effects on customer response, and both indirectly influencing an organization's financial performance through their impact on the

customer. Previous research identified organization routines that are valuable in creating a satisfied and engaged workforce. The present study takes this a step further, outlining the organizational climate factors that can be utilized as leading indicators of satisfaction and engagement – indicators that can be measured to determine if an organization is moving in the right direction, even if the impact on satisfaction and engagement has yet to surface directly.

**3. What are the drivers of these climate factors that directly impact satisfaction and engagement?**

In the section above, 8 climate factors were identified as drivers of employee satisfaction and engagement. For each of these 8 factors, we can take the analysis a step further and identify their specific organizational drivers. The result of such analysis begins to create a chain of factors that lead to satisfaction and engagement, allowing us deeper insight into how the complexities of an organization fit together to create an optimally functioning system. Understanding the levers and leading indicators of satisfaction and engagement is one thing, understanding further the pulleys that effect those levers paints a much more complete picture of the entire network of internal organizational characteristics of interest.

As with above, we'll start with employee satisfaction. For this analysis, all of the organizational climate factors were included as potential drivers. Hence, it is possible to see factors as drivers here that were also direct drivers of satisfaction or engagement.

**Employee Satisfaction 2<sup>nd</sup> Order Drivers**

First, to create an environment where employees are interested in sticking around, they must be given the authority, resources, experience, and opportunity to perform their jobs. They also must feel that they are working in an organization that values collaboration and acts in a supportive manner to facilitate getting the job accomplished.

**Table 7 – Variables that Determine Intention to Stay**

<b>R<sup>2</sup>= 0.29</b>		
Variable	Std. Estimate (β)	P-Value
Empowerment	0.37	0.001
Cooperation	0.17	0.05

Second, to facilitate inter-unit coordination, we again see the need for collaboration, as well as a focus on establishing and communicating norms and expectations for excellence.

Employees look for the organization to value what they do and clearly state its goals and expectations.

**Table 8 – Variables that Determine Inter-Unit Coordination**

<b>R<sup>2</sup>= 0.30</b>		
Variable	Std. Estimate (β)	P-Value

Cooperation	0.25	0.04
Goal Emphasis	0.35	0.005

Doing the same thing over and over again is likely to lead to boredom or complacency, and certainly unlikely to satisfy a demanding employee. Hence, the opportunity for using a variety of skills is linked to satisfaction. Driving this factor, we find the degree to which the job enables the employee to carry out a complete and identifiable task, defined here as task identity, is a critical factor. In addition, the idea that the employee's job is viewed as having an important impact on other people is another critical factor of consideration. Finally, the more an employee feels that they must make decisions and cooperate with others in order to carry out their job, the more they are inclined to feel that they are utilizing a variety of skills in carrying out their work.

**Table 9 – Variables that Determine Skill Variety**

**R<sup>2</sup>= 0.52**

Variable	Std. Estimate (β)	P-Value
Task Identity	0.30	0.0003
Task Significance	0.47	0.0001
Interdependence	0.18	0.03

For employees to feel that what they are doing is in the best interests of their customers, two factors were identified as keys. First, the employees must feel that they are being trained properly. Second, they must feel that the work they are doing is important. Thus, to get employees into the mindset of putting customers first necessitates that the organization stress such an approach in their training, and that they design the tasks to be performed by employees in such a way that the impact on customers is readily identifiable.

**Table 10 – Variables that Determine Customer Service Orientation**

**R<sup>2</sup>= 0.34**

Variable	Std. Estimate (β)	P-Value
Training	0.43	0.0001
Task Significance	0.36	0.0001

**Employee Engagement 2<sup>nd</sup> Order Drivers**

To create an organizational environment that engages employees, the first factor identified was to avoid role conflict. To achieve this, the organization needs to stress clear roles, focus on effectively coordinating activities between business units, and develop a sense of cooperation within and between these units.

**Table 11 – Variables that Determine Role Conflict**

**R<sup>2</sup>= 0.71**

Variable	Std. Estimate (β)	P-Value
Role Clarity	-0.60	0.0001
Inter-Unit Coordination	-0.16	0.01

Cooperation	-0.23	0.005
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To create a sense that employees are receiving the appropriate training, it crucial for the organization to empower its employees, emphasizing high expectations, and creating a sense of interdependence among employees. Employees must feel that their opinions and work is valued within the organization, and that they are not working in isolation – what each individual employee does is tied to what the organization as a whole is doing.

**Table 12 – Variables that Determine Training**

**R<sup>2</sup>= 0.53**

Variable	Std. Estimate (β)	P-Value
Empowerment	0.45	0.0001
Goal Emphasis	0.49	0.0001
Interdependence	0.14	0.05

To create a feeling of autonomy, where employees are confident that they have some say over what they do and the resources available to do it, the organization must clearly define roles, with a focus on providing an employee with a complete set of tasks, and create an environment where employees feel that what they do is relevant to the organization and to the customer.

**Table 13 – Variables that Determine Autonomy**

**R<sup>2</sup>= 0.46**

Variable	Std. Estimate (β)	P-Value
Role Clarity	0.34	0.001
Task Identity	0.19	0.03
Task Significance	0.35	0.0002

The level to which employees’ feelings of personal power are influenced by clearly defined roles, again, as well as goal emphasis, again, a factor that has played a role in several other areas as well. In addition, we see that interdependence, the feeling that the employee is part of a greater whole, and a factor that has been a positive influence in other areas, appears here as a negative influence on personal power. Interpreting this likely indicates that a great deal of interdependence among business units and employees across the organization, to a degree, confuses the power structure, making it more difficult for employees to exercise their own personal power as well as making it more difficult to relate to the referent or expert power of managers outside of their area.

**Table 14 – Variables that Determine Personal Power**

**R<sup>2</sup>= 0.74**

Variable	Std. Estimate (β)	P-Value
Role Clarity	0.21	0.003
Goal Emphasis	0.70	0.0001
Interdependence	-0.18	0.002

Overall, the above analysis indicates that there is a great deal of

overlap among 2<sup>nd</sup> order drivers of satisfaction and engagement. While both had unique 1<sup>st</sup> order drivers, they often shared 2<sup>nd</sup> order indicators. The good news from such a finding is that improvement in the 2<sup>nd</sup> order drivers is likely to be doubly beneficial. For example, improving cooperation, task identity, or task significance will have a downstream positive impact on both satisfaction and engagement through improvements in employee intentions to stay, inter-unit coordination, skill variety, customer service orientation, and autonomy, and through reductions in role conflict.

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## **CONCLUSIONS AND NEXT STEPS**

While our earlier research study found that human resource systems did not impact employee satisfaction and engagement directly, we find in the present study that their impact is indirect through their effect on the organization's culture. The HR systems of development, performance management, and compensation offer managers levers that can be used to influence the culture of the organization. Another interesting result to highlight in this area is the finding that selection processes did not significantly impact culture – rather, it would appear that employees can be indoctrinated into the organization's culture through effective use of the other three HR systems under study.

Moving from culture and human resource systems to climate factors, we find that employee satisfaction and employee engagement each have unique 1<sup>st</sup> order drivers. That is, the key direct drivers of employee satisfaction do not directly influence engagement, and vice versa. However, when we analyze the direct drivers of these 1<sup>st</sup> order factors, we find that the factors that influence these drivers directly have a great deal of overlap. We have described these drivers as 2<sup>nd</sup> order drivers of employee satisfaction and engagement – they do not have a direct effect on these key employee attitudes, but rather have an indirect effect through their direct impact on the 1<sup>st</sup> order drivers. The value here is that attitudes like employee satisfaction and employee engagement are, to a degree, amorphous and difficult to assess. However, the climate factors are more tangible – increasing role clarity which reduces role conflict, for example, is relatively simple to accomplish and can have a near immediately assessable impact. Given the direct effects of a reduction of role conflict on engagement, managers now have a more accessible set of levers available to them for improving employee attitudes, which in turn will improve customer response leading to improvements in the financial performance of the organization.

One thing missing from the current study is an understanding of return on investment (ROI). In other words, what type of return can be expected given a proposed investment in programs to improve human resource systems or alter organizational processes found to directly or indirectly improve employee satisfaction and engagement? Answering this question would require investment information along with periodic data assessing the other variables of interest to measure improvements over time. Such an analysis would

likely yield valuable insights into the relative value of particular programs, as well as the amount of time a manager should expect to have to wait for results to begin to appear.

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