

**WELL-BEING IN THE WORKPLACE
AND ITS RELATIONSHIP TO
BUSINESS OUTCOMES**

**A REVIEW OF THE GALLUP
STUDIES**

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CREDITS

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WELL-BEING IN THE WORKPLACE AND ITS RELATIONSHIP TO BUSINESS OUTCOMES: A REVIEW OF THE GALLUP STUDIES

James K. Harter, Frank L. Schmidt, and Corey L. M. Keyes

Two lines of research characterize the study of the effects of organizational environment on workers' quality of life and performance. The first line originates with the study of stress and health and is best represented by the theory of person--environment fit (see French, Caplan, & Van Harrison, 1982). Proponents of the stress perspective argue that worker performance and quality of life are hindered by strain (too much challenge) or boredom (too little challenge). When demands exceed or fall below the resources, individuals experience undesirable states (e.g., strain or boredom) that hinder the quality and quantity of performance as well as their well-being. From the stress perspective, a healthy work force means the absence of strain or boredom (see also Edwards, Caplan, & Van Harrison, 1998).

A second line of research on worker quality of life and performance originates with the behavioral, cognitive, and health benefits of positive feelings and positive perceptions (Isen, 1987; Warr, 1999). Proponents of the well-being perspective argue that the presence of positive emotional states and positive appraisals of the worker and his or her relationships within the workplace accentuate worker performance and quality of life. When environments provide and people seek out interesting, meaningful, and challenging tasks, individuals in these situations are likely to have what Brim (1992) has called manageable difficulties and Csikszentmihalyi (1997) has described as optimal states. That is, when demands match or slightly exceed resources, individuals experience positive emotional states (e.g., pleasure, joy, energy) and they perceive themselves as growing, engaged, and productive (Waterman, 1993). From the well-being perspective, a healthy work force means the presence of positive feelings in the worker that should result in happier and more productive workers.

In this chapter we focus on the well-being approach to understand the benefits of promoting the well-being of workers. We present the results of a meta-analysis of the relationships between employee workplace perceptions and business-unit outcomes. We investigate and demonstrate that the presence of positive workplace perceptions and feelings are associated with higher business-unit customer loyalty, higher profitability, higher productivity, and lower rates of turnover. Our chapter relates to the reemergence of interest in the happy--productive worker hypothesis. This hypothesis positions organizations to capitalize on changing trends in a work force that is increasingly seeking greater purpose and growth through their work, and, as well, has increasing choice in where to work.

We see *well-being* as a broad category that encompasses a number of workplace factors. Within the overall category of well-being we discuss a hypothesized model that employee

engagement (a combination of cognitive and emotional antecedent variables in the workplace) generates higher frequency of positive affect (job satisfaction, commitment, joy, fulfillment, interest, caring). Positive affect then relates to the efficient application of work, employee retention, creativity, and ultimately business outcomes.

WELL-BEING AND EMPLOYEES IN THE WORKPLACE

The well-being of employees is in the best interest of communities and organizations. The workplace is a significant part of an individual's life that affects his or her life and the well-being of the community. The average adult spends much of his or her life working, as much as a quarter or perhaps a third of his waking life in work. As much as a fifth to a quarter of the variation in adult life satisfaction can be accounted for by satisfaction with work (Campbell, Converse, & Rodgers, 1976). Measures of job satisfaction tend to correlate in the range of .50 to .60 with measures of life satisfaction (Judge & Watanabe, 1993; Spector, 1997). The nature of work, such as its routinization, supervision, and complexity, has been linked casually to an individual's sense of control and depression (Kohn & Schooler, 1982). It is now recognized that depression is second only to ischemic heart disease in contributing to reductions in productive and healthy years of life (Murray & Lopez, 1996). The ability of the workplace to prevent mental illness and to promote well-being is compatible with the mission of the public's health, as outlined by the surgeon general (U. S. Department of Health and Human Services, 1999).

However, the well-being of employees is also in the best interests of employers who spend substantial resources hiring employees and trying to generate products, profits, and maintain loyal customers. To succeed in hiring, employers must provide tangible benefits. However, employees want more than a stable job with pension and benefits. Surveys of recent and upcoming generations of employees clearly show a majority of employees desire greater meaning and personal development from their work and suggest many workers see their work as a calling--enjoyable, fulfilling, and socially useful (Avolio & Sosik, 1999; Wrzesniewski, McCauley, Rozin, & Schwartz, 1997; see also chapter 8, this volume).

Studies now clearly suggest that the well-being of employees may be in the best interest of the employer. In particular, researchers have studied the relationship of individual-level job satisfaction to individual-level performance (Iaffaldano & Muchinsky, 1985; Judge, Thoresen, Bono, & Patton, 2001). Meta-analysis reveal positive relationships between job satisfaction and individual performance, particularly facets such as satisfaction with one's supervisor and satisfaction with one's work. Still, questions of the direction and causality of these relationships have not been resolved completely. Spector's (1997) review suggested that more satisfied employees are more cooperative, more helpful to their colleagues, more punctual and time-efficient, show up for more days of work, and stay with the company longer than dissatisfied employees. Investigation of the happy--productive worker clearly links emotional well-being with work performance. Employees who report experiencing a greater balance of positive emotional symptoms over negative emotional symptoms received higher performance ratings

from supervisors than employees who report feeling more negative than positive symptoms of emotion (Wright & Bonnett, 1997; Wright & Cropanzano, 2000; Wright & Staw 1999).

In sum, work is a pervasive and influential part of the individual and the community's well-being. It affects the quality of an individual's life and his or her mental health, and thereby can affect the productivity of entire communities. The ability to promote well-being rather than engender strains and mental illness is of considerable benefit not only to employees in the community but also to the employer's bottom line. The emotional well-being of employees and their satisfaction with their work and workplace affect citizenship at work, turnover rates, and performance ratings. However, researchers have conceived employee well-being broadly and often not in a way that is intuitively actionable for managers and employees. Moreover, few studies have linked a measure of employee well-being to business-unit outcomes, such as employee turnover, customer loyalty, productivity, and profitability.

ELEMENTS OF WELL-BEING THAT CAN BE INFLUENCED BY MANAGERS AND EMPLOYEES

Over the course of the past 30 years, Gallup researchers have qualitatively and quantitatively assessed the most salient employee perceptions of management practices. Researchers with The Gallup Organization have conducted hundreds of qualitative focus groups across a wide variety of industries. The methodology underlying this research has been centered on the study of success--the study of productive work groups and individuals rather than the study of failure in organizations. In developing measures of employee perceptions, researchers have focused on the consistently important human resource issues that managers can influence. From this, a simple and focused employee survey consisting of 12 statements has evolved from a number of qualitative and quantitative studies. The meta-analysis reviewed in this chapter is part of an ongoing study of the performance relatedness and utility of these core aspects of employee satisfaction and engagement across organizations. The technical details of this meta-analysis can be found in Harter and Schmidt (2000) and Harter, Schmidt, and Hayes (2002). The 12 surveyed statements included in the Gallup Workplace Audit (GWA) are as follows:¹

1. I know what is expected of me at work.
2. I have the materials and equipment I need to do my work right.
3. At work, I have the opportunity to do what I do best every day.
4. In the last seven days, I have received recognition or praise for doing good work.
5. My supervisor or someone at work seems to care about me as a person.
6. There is someone at work who encourages my development.
7. At work, my opinions seem to count.
8. The mission/purpose of my company makes me feel my job is important.
9. My associates (fellow employees) are committed to doing quality work.
10. I have a best friend at work.
11. In the last six months, someone at work has talked to me about my progress.
12. This last year, I have had opportunities at work to learn and grow.

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As a current quality standard, these 12 statements are asked of each employee (census survey) with six-response options (5 = strongly agree, 1 = strongly disagree, 6 = don't know/does not apply option score). Although these items measure issues that can be influenced by the manager or supervisor, only one item contains the word "supervisor." This is because it is realistic to assume that numerous people in the workplace can influence whether someone's expectations are clear, they feel cared about, and so forth. However, the manager or supervisor is in a position in which he or she can take the lead in establishing a culture that values behaviors that support these perceptions.

Although many variables can be studied and many methodologies used, it is important that survey tools can be used to create meaningful change in the workplace. Not surprisingly, a recent study demonstrates that giving feedback on surveys relates to improvement in upward (direct report to manager) feedback scores (Walker & Smither, 1999). As well, in Gallup's organizational work, we have found the importance of the supervisor in the feedback process is critical. The variability in workplace perceptions across work groups within the typical company is nearly as wide as the variation across work groups in all companies. Therefore, what managers actually do to influence engagement likely varies widely within companies.

The GWA items are measures of antecedents to positive affective constructs such as "job satisfaction" and, theoretically, positive emotions. We refer to the GWA as a measure of employee "engagement," which assumes both cognitive and emotional antecedents to broader affective and performance outcomes. Others (e.g., Diener, 2000) have studied and written about the broader construct of subjective well-being (life satisfaction), of which the workplace is one part. The broader psychological and social well-being definition has, interestingly, some parallel to our definition of workplace well-being (personal growth, purpose in life, positive relations with others, and environmental mastery, social integration, and social contribution; Keyes, 1998).

Before looking more closely at the strengths of the connections of GWA items to business outcomes, it is important to explore why they may exist in productive environments and their potential roots and causes.

THEORETICAL FOUNDATIONS OF EMPLOYEE ENGAGEMENT IN THE WORKPLACE

Referring back to the initial perspective of stress versus well-being, cognitive--emotional research sheds some light on why positive and negative emotions interact differentially with cognition. Ellis and Ashbrook (1989) reviewed how depressed mood states interact with memory. Depressed research participants, when compared to neutral participants, demonstrate poorer recall of difficult (high-effort) material and no loss in recall from low-effort materials. Depression can filter cognition, particularly when complex cognition is needed, like that in most work environments. Although negative emotions, such as depression, may limit cognition, positive affect may "loosen" information-processing strategies (Fiedler, 1988; Schwarz & Bless 1991) and broaden cognitive potential. As well, positive affect influences creative thinking (Fredrickson, 1998; Isen, 1987; Ziv, 1976).

We can understand how this contrast between positive and negative emotion plays out in the workplace if we consider how ongoing organizational changes are dealt with in differing ways by management and the resulting consequences. In focus group transcripts from one work group within an organization experiencing some restructuring changes, employees said,

We have undergone many changes, but our manager has kept us informed of the changes, why they are occurring, and asked us for our advice... about how we can keep meeting our clients' needs. Being involved in the business frees us up to get to know one another and makes our solutions more creative.

Another work group within the same organization experienced something very different:

The change in restructuring that our organization has undergone scares us. Many good people left the company and the new people that have taken over don't know the business... our history was having very loyal people, that bleed [the company colors]. In our new culture it isn't there... we have moved from two-way communication to becoming order takers. Decisions would be more effective, and there would be more ownership if decisions were made listening to those close to the customer. Basically, we're being told "don't think... just do," and we lose our innovation... many people feel they will get fired if they make a good change.

We can see how this difference between the positive management in the first scenario leads to higher frequency of positive emotions and the second scenario leads to higher frequency of negative emotions.

Fredrickson (1998) proposed a "broaden and build" model that describes how positive emotions "broaden people's momentary thought action repertoires" and "build their enduring personal resources" (p. 300). Positive emotions broaden scope of attention, cognition, and action, and build physical, intellectual, and social resources. Fredrickson theorizes that positive emotion has evolutionary roots. Although many negative emotions may lead to fight or flight actions and a narrowing of cognitive activity, it is possible that the broadening of scope of attention that is realized through positive emotions leads to more enduring thoughts and actions that then relate to successful business outcomes within organizations. This suggests that positive emotions have connections to our most basic emotional needs in the workplace. In the workplace, positive emotions occur through daily experiences and predisposed traits; for instance, conscientiousness has a positive relationship to workplace engagement, and it is likely the interaction of traits and daily experiences that ultimately influences the frequency of positive emotions.

In considering workplace attitudes that relate most highly to business outcomes, among the four positive emotions highlighted by Fredrickson (1998)--joy (happiness, amusement, elation), interest (curiosity, intrigue, excitement, or wonder), contentment (tranquility or serenity), and love (emotions felt toward specific individuals)--it seems joy, interest, and love (or caring) come closest to describing employees' emotions in high-performing business units. On the surface, it may seem easy to equate the broad construct of job satisfaction with contentment (high certainty and low effort). More specifically, in observing a variety of high-performing workplaces across industries and job types, it became clear that the definition of employee engagement that cut across companies, boundaries, even cultures represented high cognitive and emotional activity. As such we can see that daily occurrences that bring about joy, interest, and love (or caring) lead to a bonding of individuals to each other, their work, and their organization. To managers, when they pay attention and respond to each unique individual they manage, the daily experiences lead to higher frequency of joy, interest, and love (or caring) among their employees. This appears to be a very important, active, ongoing endeavor on the part of management and of employees. Over time, this serves to build a bond between the individual employee and other employees in the organization, some at a local level and others that represent other higher level authorities or agents to the company. Per Kahn's (1990) conceptualization, employees become more cognitively and emotionally engaged when their basic needs are met. Parallels can be found in the study of student engagement (Skinner, Wellborn, & Connell, 1990), which suggests engagement as a basic human need mediating the relationship between the environment and performance. The positive emotions that result when basic needs are met in the workplace serve to broaden the employees' attention, cognition, and action in areas related to the welfare of the business. Our experience is that most employees have an inherent need to contribute to an organization or larger entity. In most situations, their needs and that of the organization can be filled simultaneously.

Basic needs in the workplace start with clarity of expectations and basic materials and equipment being provided. To some extent, these needs, when met, reflect the credibility of the organization to the employee. "Is the company helping me understand the ultimate outcomes and supplying me with what I need to get done?" In transcripts of employee interviews, one employee said, "My manager lets me handle some situations my way, but the ultimate outcomes that I am to achieve are clear between me and her." Another said, "I always know what I need to do when I show up. The managers take good care of me." Contrast this to an employee who said, "I was never taught how to handle my responsibilities in this job and never told what I am expected to do," or "I feel there is no opportunity for me to succeed in my job. The company's changing policies get in the way." If expectations are not clear and basic materials and equipment not provided, negative emotions such as boredom or resentment may result, and the employee may then become focused on surviving more than thinking about how he can help the organization succeed. In contrast, when expectations are clear and basic material needs provided, positive emotions such as interest may result.

Second, it is important that employees feel that they are contributing to the organization. Perhaps the most important basic element of this contribution is person--environment fit. Do the individual employees have an opportunity to do what they do best in their current roles? Numerous studies have documented the utility of selection of the right people for particular jobs (Fredrickson, 1998; Hunter & Schmidt, 1983; Huselid, 1995; Schmidt, Hunter, McKenzie, & Muldrow, 1979; Schmidt & Rader, 1999). It is important that what the employee is asked to do is something he or she inherently enjoys. As one employee said, "I like working in a company where my talents, knowledge, and skill are understood and put to good use and respected." Contrast this to an employee who said, "The lack of interaction with people that comes with my current job gets boring without having long human contact." Many employees do not get bored without long human contact. As well, frequent and immediate recognition for good work is important to create positive emotions that reinforce success. When individuals hear from others how they have succeeded, it appears to open their mind and broaden their thinking about how they can do more. An important element of recognition appears to be the understanding of how each person prefers to be recognized, to make it objective and real by basing it on performance, and to do it frequently. Feelings of contribution are also heavily influenced by relationships and developmental opportunities. For each person, feeling cared about may mean something different, depending on their unique traits, values, and whether or not their manager listens to them and responds to their needs. Great managers appear to be very keen at finding the connection between the needs of the individual and the needs of the organization, which can lead to greater frequency of positive emotions such as joy, interest, and love (caring).

Third, a sense of belonging to something beyond oneself is an important element of employee engagement and a basic human need (Baumeister & Leary 1995). When decisions are made in the workplace that affect employees, having their opinions heard and involving them in the decisions can influence interest, which broadens the scope of thinking and acting. As well, employees who can connect their work to a larger, meaningful mission or purpose of the overall organization are likely to have higher levels of interest (Wrzesniewski et al., 1997) and ownership for organizational outcomes. As the individual is doing his or her work, he or

she is constantly reminded (through the common mission or purpose) of the big-picture impact of what the work relates to, whether it is the customer, safety in the workplace, or the general public. Friendships at work also appear to be vital and a key differentiator between successful work groups and less successful work groups. When negative situations occur at work, strong friendships help to build social resources that can be relied on to perhaps undo the effects of negative emotions. As one employee said, "The people I work with are now some of my best friends, and that makes working fun, and that gets passed on to our customers." The positive emotions that occur through friendships (love--caring) at work likely build resources that reinforce creativity and communication. Great managers appear to be very good at creating opportunities for people at work to get to know one another.

Fourth, creating an environment in which employees have opportunities to discuss their progress and grow leads to positive emotions that can build intellectual resources at work. How these intellectual resources are built when learning opportunities and progress discussions occur may be dependent on the positive emotions that result from basic needs being met, feelings of contribution, and belonging. When these positive emotions are present in the workplace, the filter through which employees learn and discuss their progress becomes more focused on the organization's functioning and is applied in a way that helps the organization learn and improve important outcomes.

Positive emotions are facilitated by actions within organizations that support clear outcome expectancies, give basic material support, and encourage individual contribution and fulfillment, a sense of belonging, and a chance to progress and learn continuously. All of these elements together can be called employee engagement. These elements are measured by the 12 GWA statements listed earlier. Each statement taps into one of these elements.

THE META-ANALYSIS

This section summarizes the findings of a meta-analysis of the relationship between employee engagement and business outcomes. A meta-analysis is a statistical integration of data accumulated across many different studies. It provides uniquely powerful information because it controls for measurement and sampling errors and other idiosyncrasies that distort the results of individual studies. Individual studies can often appear to have conflicting conclusions when, in fact, differences are a result only of sampling error, measurement error, and other artifactual sources of variation in the effects. A meta-analysis eliminates bias and provides an estimate of the true relationship between the variables studied. As indicated, this chapter will not provide a full review of meta-analysis. For more information on meta-analysis, see Bangert-Drowns (1986); Hunter and Schmidt (1990); Lipsey and Wilson (1993); Schmidt (1992); and Schmidt, Hunter, Pearlman, and Rothstein-Hirsh (1985).

Because The Gallup Organization surveys hundreds of work forces around the world, many organizations are able to provide business-unit-level measures of performance that are comparable from one business unit to another. Such business-unit-level measures have included

employee turnover, customer satisfaction--loyalty, productivity, and profitability. As of the 2000 meta-analysis, 36 independent companies are included in Gallup inferential database of such studies, estimating the relationship of the GWA measures of employee engagement to business-unit outcomes. This database includes both studies in which employee engagement and outcomes were collected in the same year and studies in which employee engagement was collected in Year 1 and subsequent performance collected in Year 2 (predictive). The current data-base includes studies from 21 different industries, including financial, manufacturing, retail, services, and transportation--public utilities organizations. Business units and work units included bank branches, call centers, departments, city center offices, dealerships, health care units, hotels, plants, restaurants, regional territories, sales teams, schools, stores, and other team designations that are relevant to the company being studied. The overall database includes 7,939 business units within which are 198,514 respondents. This study is ongoing and updated periodically.

As part of the meta-analysis study, we estimated the correlation of employee engagement at the item and composite level, with business outcomes correcting for measurement error in the dependent variables. As well, validity generalization estimates were calculated to understand whether the relationships across companies were consistent or different. One very clear finding throughout was that the relationships, for all items, were generalizable to multiple outcomes across companies. This adds substantial evidence to the argument that there are basic human needs in the workplace that transcend company and industry boundaries.

Table 9.1 provides a summary review of items that have positive and generalizable relationships across organizations. Relationships that show bolded Xs indicate the strongest relationships to each of the various outcomes, and the less bold Xs indicate positive, generalizable relationships. One interesting finding is that basic needs, such as expectations and materials and equipment, have relationships to basic outcomes, such as customer satisfaction--loyalty and employee turnover--retention, which are outcomes that ultimately influence larger business outcomes like profitability. In addition, there were six items that had sanction relationships to three or more of the performance criteria:

- I know what is expected of me at work.
- At work, I have the opportunity to do what I do best every day.
- My supervisor, or someone at work, seems to care about me as a person.
- At work, my opinions seem to count.
- My associates (fellow employees) are committed to doing quality work.
- This last year, I have had opportunities at work to learn and grow.

Within business units, when employees have fair expectations and the basic materials and equipment they need to do their work, the stage is set. In addition, there appear to be higher level needs that ultimately relate to profitability, such as the fit of the person to his or her job, having other individuals at work who care about and listen to the employees, having respect for

fellow coworkers with an end toward quality, and having ongoing opportunities to learn and grow as individuals.

Our goal was to understand what the practical utility was of the generalizable relationships across organizations. If one thinks of a work unit or manager as working toward many outcomes simultaneously, we consider an aggregate of the four outcomes in Table 9.1 as a composite measure of business-unit performance. That is, work units may never be fully sustainable unless all four of these outcomes are achieved simultaneously. For instance, in the short-term, a work unit may be profitable, but if customers are not satisfied and employees are leaving the work unit, profitability is likely to suffer in the long-term. Profitability may be achievable in the short-term through quick fixes by management and factors outside the scope of employee engagement. But in the long-term, turnover and disloyal customers will have direct financial consequences to the business unit. For this reason, we calculated a composite performance measure to understand how overall composite employee engagement (the mean of responses from the 12 statements) related to composite performance in a correlational and probability framework.

TABLE 9.1
Items With Meta-Analytic Rs That Are Generalizable Across Organizations

Item	Turnover	Customer	Productivity	Profit
Know what is expected	x	x	x	
Materials and equipment	x	x		
Opportunities to do what I do best	x	x	x	x
Recognition/praise	o	o	o	x
Cares about me	x	x	x	o
Encourages development	o	x	o	x
Opinions count	o	x	x	x
Mission/purpose	o	o	x	x
Committed—quality	x	o	x	x
Best friend		x	o	x
Talked about progress		o	o	
Opportunities to learn and grow	x	x	x	x

Notes. o = Positive, generalizable relationship.
x = Strongest generalizable relationships.

The meta-analytic correlation of business-unit employee engagement to composite performance is .26 within companies and .33 for business units across companies (correcting for measurement error in the dependent variables). Within a given company, business units above the median on employee engagement realize .5 standard deviation units higher performance than those below the median. For business units across companies, this difference is .6 standard deviation units in performance.

Employee engagement defines one part of overall business-unit performance, and it is important to understand what a business unit's probability of success is when employee engagement is high versus low.

Table 9.2 provides the probability of a business unit being successful (above-average composite performance) if it has employee engagement at various levels for its own company and for various levels across companies. For instance, business units with employee engagement at the 95th percentile for a given company have a 67% probability of success. Random success would be 50%, given we define performance at the median. This represents 34% improvement over the median. Comparing work units above the median with those below the median, those in the top half of employee engagement for a given company have a 70% higher probability of success than those in the bottom half. Work units at the 95th percentile have more than double the success rate of those at the 5th percentile. For business units across companies, this difference is even greater. Business units at the 95th percentile have improved their odds of success by 42% over the median business unit and by 145% over the 5th percentile business unit, this indicates that work units with high levels of employee engagement have a much greater chance of business unit success, as measured by our composite criterion.

TABLE 9.2
Probability of Business Unit Success as a Function of Employee Engagement

Employee engagement Percentile	Success rate (within companies) ^a	Success Rate (across companies) ^b
99	73%	78%
95	67%	71%
75	57%	59%
50	50%	50%
25	43%	41%
5	33%	29%
1	27%	22%

^a Success rate (within) = percentage of business units with composite performance above the median of business units *within* a company.

^b Success rate (across) = percentage of business units with composite performance above the median of business units *across* companies.

Other forms of expressing the practical meaning behind the effects from the study include utility analysis methods (Schmidt & Rauschenberger, 1986). To understand the practical utility of employee engagement in relationship to employee turnover, customer satisfaction--loyalty, productivity, and profitability, three basic elements are needed. First is to understand the relationship between employee engagement and the outcome (defined earlier). Second is to understand variability in the dependent variable. Third, one must estimate potential change in the independent variable. For purposes of illustration, we compared differences (Table 9.3) between top and bottom quartile business units within five companies (with similar outcome metrics) for each of the outcomes studied (a more detailed table of this analysis is provided in Harter et al., 2002). For the turnover outcome, we studied high-turnover

organizations (with more than 60% average turnover) and low-turnover organizations (from 10 to 20% average turnover).

Perhaps the most concrete and direct day-to-day outcome to study is turnover. Referring to Table 9.3, for high-turnover companies (with annualized turnover about 60%), the difference between the average unit in the top quartile on employee engagement to the average unit in the bottom quartile ranged from 14 to 51 percentage points (average of 29 percentage points). For lower turnover companies, the difference was from 4 to 19 points (average of 10 percentage points). If we assume 4 percentage points difference, the smallest difference in a lowest turnover company, assuming a business unit of 100 employees and a cost of turnover of \$30,000 per person, this difference equates to \$120,000 per business unit. A more typical difference is a 10-percentage point difference between top and bottom quartile units, which equates to \$300,000 per business unit per year. Cost of turnover calculations vary by type of position and company. For high-turnover companies, the typical difference between highly engaged and less engaged work units represents approximately 20 percentage points annualized turnover and in lower turnover companies, the difference is more typically 5 to 10 percentage points.

Table 9.3
Utility Analysis Examples: Five Companies Per Outcome

Difference per business unit on outcome measure (e.g., customer loyalty) Between top and bottom quartile on employee engagement (as measured by GrandMean—or sum—of GWA items).	
<u>Turnover (high)</u>	<u>Difference</u>
mean	29%
range	14-51%
<u>Turnover (low)</u>	<u>Difference</u>
mean	10%
range	4-19%
Customer satisfaction/ <u>Loyalty measures</u> ^a	<u>Difference</u>
mean	2.9%
range	1.9-4.4%
<u>Productivity measures</u>	<u>Difference</u>
mean	\$162k
range	\$80k-\$393k
Profitability measures (% of sales)	<u>Difference</u>
mean	2.0%
range	.87%-4.24%

^a Scale is percentage of satisfied/loyal customers.

Source: Summarized from Table 6 in Harter, Schmidt, & Hayes (2002). Copyright 2002 by the American Psychological Association. Adapted by permission.

For customer satisfaction--loyalty, the difference between top and bottom quartiles on employee engagement ranges from two to four points per business unit (average of 2.9 percentage points). To calculate the dollar impact for a given organization, one would need to know the average number of customers per business unit and the average number of dollars spent per customer, assuming loyalty perceptions result in loyalty behavior. Within most organizations with a large number of business units, this equates to millions of dollars when one compares business units in the top quartile to those in the bottom quartile on employee engagement.

Similar results are provided for productivity (revenue or sales), which are average sales volume per month figures. Business units in the top quartile on employee engagement averaged \$80,000 to \$120,000 higher revenue or sales; for one organization, the difference was more than

\$300,000 per month. Assuming the \$80,000 difference per month per business unit translates into \$960,000 per year per business unit. This is substantial revenue to most organizations.

For profitability measures (which were all calculated as a percentage profitability of sales), the difference between employee engagement top and bottom quartiles ranged from approximately 1 to 4 percentage points in profitability. On average, business units in the top quartile on the employee engagement measure produced 1 to 4 percentage points higher profitability. For many organizations in a highly competitive market, 1 to 4 points per business unit is quite substantial and represents the difference between success and failure.

When calculating the business utility and the probability of business units being successful as a function of employee engagement, the relationships are clearly nontrivial. Business units that use principles of positive psychology may be able to influence employee engagement, and this then may enhance the bottom line.

CONCLUSION

Well-being in the workplace is, in part, a function of helping employees do what is naturally right for them by freeing them up to do so--through behaviors that influence employee engagement and therefore that increase the frequency of positive emotions. Short-term fixes through negative reinforcement that may result in behavior that helps the organization financially in the short-term may narrow the ownership and creativity of employees that limits long-term benefits to the organization. Alternatively, behaviors that increase the frequency of positive emotions lead to increasing clarity of expectations, the understanding and use of resources that is congruent with company goals, individual fulfillment in work, a bonding of individuals through a sense of caring, ownership for the altruistic and tangible impact of the company, and learning that it is in line with this shared mission. In the long run, this is what is good for the employee and the company.

One real and important element in the workplace we have not yet addressed is monetary pay and benefits. Managers vary in how they can affect their employees' pay and benefits. Yet it is a factor important to nearly everyone; people often choose to join and leave organizations based in part on tangible rewards. Our evidence suggests that employee engagement is related to how people perceive their tangible rewards. Employee engagement is a leading indicator of intent to stay within a given organization. However, when employees are not engaged, pay may enter in as a more critical factor. Employees heavily underpaid relative to others they perceive as in like jobs may place a different weight on pay. However, when the engagement is low, monetary satisfiers seem to become more important, which may relate to staying or leaving but less to productivity. The problem in many organizations is that the monetary satisfiers can easily be matched or topped by competing organizations. Relying exclusively on these short-term satisfiers results in a quick-fix mentality that does not fully address the basic human need of fulfillment and feeling of impact and contribution.

In the evolutionary time frame, our ancestors may have been successful at survival because they were good at cooperating with each other (broadening each other's thought--action repertoires) and gathering resources together. When employees are in a position in which their only satisfaction comes from gathering their survival resources alone, it does not feel as good and is not sustainable to the benefit of the larger organization. Even the most independent of entrepreneurs and sales people rely on others for sustainable growth and celebration. Providing employees the opportunity to expand their monetary rewards--by clarifying outcomes, providing material support to achieve these rewards, and putting them into positions in which they can do what they do best and contribute to the organization--expands the chance for positive emotions to occur more frequently and opens employees' minds to how they can most efficiently build their own resources and expand relationships to build more in-depth consideration for how resources can be applied.

Methodologically, we have not yet addressed issues of statistical causality. Getting to the heart of causal inferences is never absolute in any one study and involves research from many different angles. The body of evidence included in the meta-analysis reviewed includes many case studies in which statistical causal issues have been addressed--studies of change over time, predictive relationships, and path analyses (Harter, 2000). Our evidence is that employee engagement is likely a leading indicator of multiple outcomes, as opposed to a trailing result, but that the relationship is somewhat reciprocal. In addition, as Gallup representatives have worked with organizations in applying employee engagement measures into practice, combining the measurement with education for managers within business units, and partnering with companies on change initiatives and dialogue surrounding the 12 items referenced, companies have experienced (from the first to second year) on average one-half standard deviation growth on employee engagement and often times a full standard deviation growth and more after three or more years. At the business-unit level of analysis, there is evidence that growth in engagement relates to growth in business outcomes (Harter, 2000). There is certainly more research that can be conducted in understanding issues of causality, including complimentary quantitative and qualitative designs. An important element in the utility of any applied instrument and process is the extent to which the variable under study can be changed. Our current evidence is that employee engagement, as measured with the GWA, is changeable and varies widely by business unit within nearly any company. Therefore, the need to create change in many business units is substantial.

Another important consideration of employee engagement is that its partial causes may be independent-level psychological traits. Although it is possible that traits may account for individual difference in job satisfaction or engagement (i.e., emotional stability or neuroticism--reverse scored--and conscientiousness), business-unit aggregate scores of employee engagement average out most individual-level personality differences (average of 25 individuals per business unit). Therefore, business-unit measures of employee engagement provide a more construct-valid definition of the attitudinal component of engagement, which may explain why we have observed changes in engagement over time across many business units.

We conclude from this study that the well-being perspective is quite applicable to business and that, as managers and employees focus on satisfying basic human needs in the workplace--clarifying desired outcomes and increasing opportunity for individual fulfillment and growth--they may increase the opportunity for the success of their organization. We have provided a theoretical framework to describe why this may occur. The data indicate that workplaces with engaged employees, on average, do a better job of keeping employees, satisfying customers, and being financially productive and profitable. Workplace well-being and performance are not independent. Rather, they are complimentary and dependent components of a financially and psychologically healthy workplace.

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