

## MARKETS LINEUP

### Industrial Average

2521.84 ▲ 77.0% or 2.1% last week  
High, low, open and close for each of the past 52 weeks  
Volume 100,000,000  
Dividend yield 1.5%



# Employee Engagement

*What's Your Engagement Ratio?*

## Percentage of Engaged Employees

World-Class

67%

Average

33%

9.57:1

Engaged : Actively Disengaged

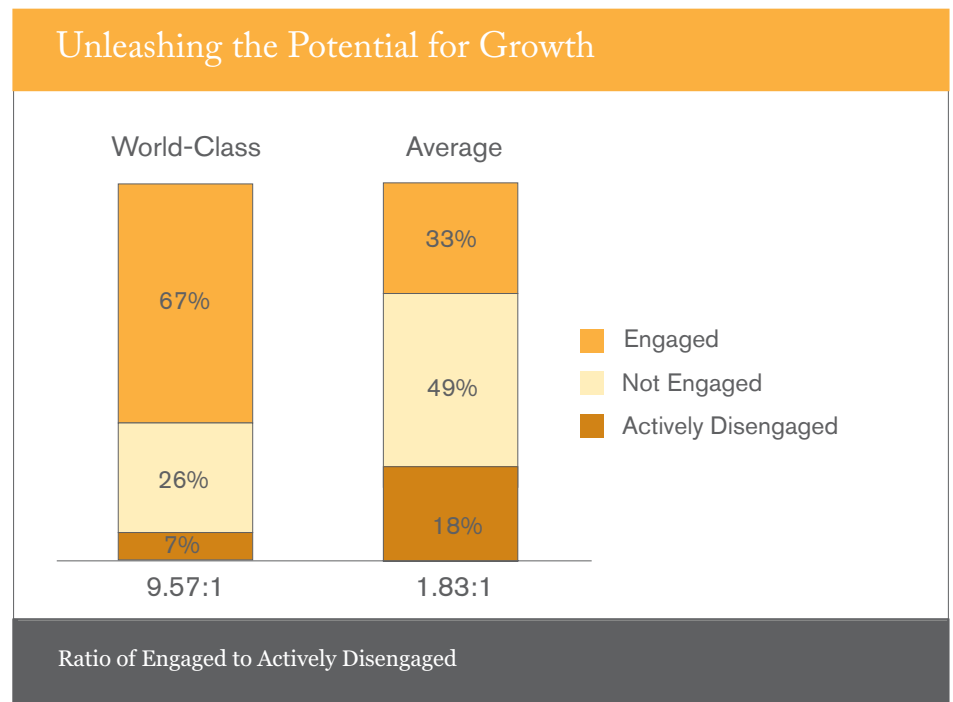
My Business





## Employee Engagement as a Core Strategy

The world's top-performing organizations understand that employee engagement is a force that drives business outcomes. Research shows that engaged employees are more productive employees. They are more profitable, more customer-focused, safer, and more likely to withstand temptations to leave the organization. In the best organizations, employee engagement transcends a human resources initiative — it is the way they do business. Employee engagement is a strategic approach supported by tactics for driving improvement and organizational change. The best performing companies know that developing an employee engagement strategy and linking it to the achievement of corporate goals will help them win in the marketplace.



### What's Your Engagement Ratio?

Gallup's engagement ratio is a macro-level indicator of an organization's health that allows executives to track the proportion of engaged to actively disengaged employees. The average working population ratio of engaged to actively disengaged employees is near 2:1.

Actively disengaged employees erode an organization's bottom line, while breaking the spirits of colleagues in the process. Within the U.S. workforce, Gallup estimates this cost to the bottom line to be more than \$300 billion in lost productivity alone. In stark contrast, world-class organizations that have built a sustainable model using Gallup's approach have an engagement ratio of more than 9:1. As organizations move toward this benchmark, they greatly reduce the negative effect of actively disengaged employees while unleashing the organization's potential for rapid growth.

## Gallup's Research-Based Approach

Gallup's employee engagement work is based on more than 30 years of in-depth research involving more than 17 million employees. This research has appeared in many business and scientific publications, including the *Journal of Applied Psychology* and the *Harvard Business Review* and in our bestselling books *First, Break All the Rules* and the sequel *12: The Elements of Great Managing*.

### 12 Elements of Engagement

Gallup has developed and identified 12 core elements that link powerfully to critical business outcomes. These 12 statements emerged from Gallup's pioneering research as those that best predict employee and workgroup performance.

## The 12 Elements of Great Managing

I know what is expected of me at work.

I have the materials and equipment I need to do my work right.

At work, I have the opportunity to do what I do best every day.

In the last seven days, I have received recognition or praise for doing good work.

My supervisor, or someone at work, seems to care about me as a person.

There is someone at work who encourages my development.

At work, my opinions seem to count.

The mission or purpose of my organization makes me feel my job is important.

My associates or fellow employees are committed to doing quality work.

I have a best friend at work.

In the last six months, someone at work has talked to me about my progress.

This last year, I have had opportunities at work to learn and grow.

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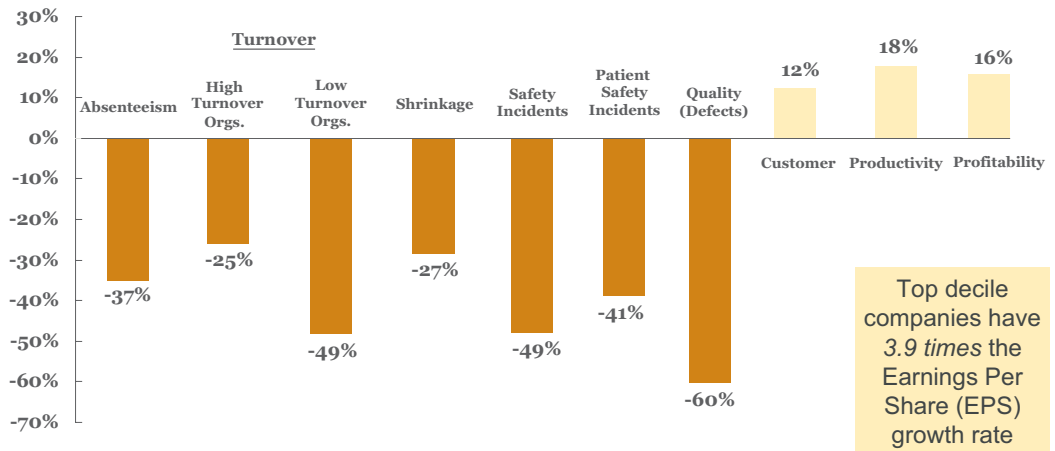
### Adding Elements

In addition to the 12 elements, Gallup recommends adding questions that address your company's unique culture or address business issues facing your organization. Gallup's expansive item bank includes key indices to help organizations measure their strength in areas such as innovation, change management, customer orientation, leadership, and inclusiveness.

### Linking Employee Engagement to Critical Business Outcomes

Gallup's latest meta-analysis (an analysis of data from more than 152 organizations) shows dramatic differences between top- and bottom-quartile workgroups on key business outcomes. It is through this meta-analysis that Gallup continues to validate the 12 elements. Beyond the dramatic difference engaged workgroups show in productivity, profitability, safety incidents, and absenteeism versus disengaged workgroups, Gallup has proven that companies with world-class engagement have 3.9 times the EPS growth rate compared with organizations with lower engagement in their same industry.

## Employee Engagement and Critical Business Outcomes



Difference Between Top and Bottom Quartile Performance

## Systematically Improving Employee Engagement

Improving engagement goes beyond simply asking the right questions. Engaging employees requires a year-round focus on changing behaviors, processes, and systems to anticipate and respond to your organization's needs. From the leadership team to the frontline employees, all levels within an organization must commit to making these changes.

### A Sustainable Approach

Gallup approaches employee engagement with sustainability in mind, and thus, provides managers and leaders with tools to help drive performance on an ongoing basis through a combination of measurement, reporting, learning, action planning, and strategic interventions. Using the latest technology and cutting-edge research, Gallup continually provides clients with innovative solutions that drive change. From state-of-the-art organizational mapping software and online tools to first-class instructional designers and consultants, Gallup's approach to employee engagement reduces the amount of time needed to move from measurement to improvement.

### Selecting for Engagement

The world's top-performing organizations recognize the critical role managers play in achieving business objectives. As a global leader in the area of employee recruitment and selection, Gallup has a proven method for hiring managers and employees with the talent to build engagement. After reviewing nearly 10,000 validated pre-employment questions and the global Q<sup>12</sup> database, Gallup uncovered a subset of questions that enables organizations to assess whether a job candidate, if hired, will boost engagement levels. This engagement selecting approach will help hiring managers find candidates who have more potential to drive engagement in the workplace.



## What the World's Best Organizations Do Differently



Gallup drives organizations to systematically improve employee engagement using proven interventions at the local and enterprise level. Beyond setting the proper strategy, interventions include finding the right performance metrics that drive accountability, creating a comprehensive communication strategy, and designing development opportunities for every employee, manager, and leader.

While partnering with many of the world's best organizations, Gallup has observed that world-class organizations make employee engagement a priority by focusing on the following:

- **Strategy**

World-class organizations develop a formula for success by looking objectively and rigorously at the business problems they face and by focusing on finding the right employees and keeping them engaged. For these organizations, an employee engagement strategy is not only fundamental to the way they do business, it is critical to their success.

- **Accountability and Performance**

The top-driven companies focus on outcomes. They define and rigorously measure success at every level in the organization. These measurements ultimately help focus each person, team, department, and business unit on driving performance and results.

- **Communication**

Within the best performing organizations there is a cultural alignment between the employees and the company, paired with a strategic alignment between activities and company goals. These organizations use their corporate communication touchpoints to reinforce their commitments to employees and customers.

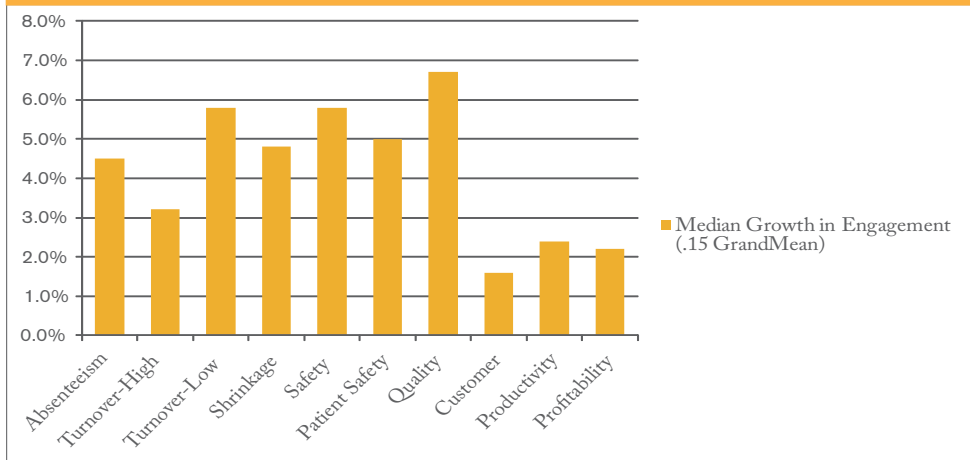
- **Development**

As the struggle for talent intensifies, organizations face a continual challenge to build and grow their leadership capacity. The world's top-performing companies have comprehensive leader and manager development programs, but they also go one step further — these programs are performance-driven and incorporate a comprehensive succession plan throughout the organization. They make it a priority to not only identify leadership potential, but also to focus intently on the creation of developmental paths for current and future managers and leaders.

## Proven Return on Investment

Increasing employee engagement directly correlates with a positive effect on key business metrics. A partnership with Gallup enables your organization to design, implement, and execute an employee engagement strategy, and at the same time, your organization will have concrete evidence of the effect of this strategy on the bottom line. Gallup's proof of ROI goes beyond the case study level. By continually validating the effect of increasing employee engagement through meta-analyses and business impact studies, Gallup can observe ROI trends across hundreds of clients. The observed net gain in key business outcomes for business units that grow employee engagement is a direct link to ROI.

Typical Net Gain at the Organizational Level



Think about the cost to replace an employee, attract a new, loyal customer, or pay workers' compensation. Using quick and simple math with the net gain values provided, your organization can begin to model the ROI it is capable of attaining.



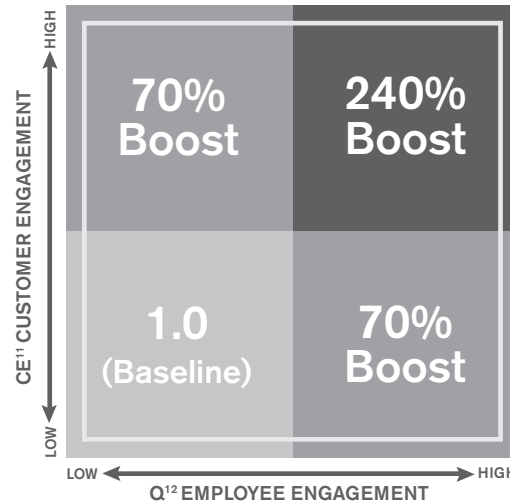


## Performance Optimization™: Managing the Employee-Customer Encounter



Taking employee engagement one step further, Gallup's Performance Optimization approach offers an innovative, research-based approach to one of the toughest challenges businesses face today: how to drive success by effectively managing the moments when employees interact with customers. This approach brings employee and customer engagement on to a single management platform. It combines a proven method for assessing the health of the employee-customer encounter with a disciplined process for improving it. Gallup is unique in its ability to design and execute this aligned approach because our expertise and global capability in marketplace consulting practices is as deep as our expertise and global capability in workplace consulting practices.

### The Impact of Performance Optimization™



Our meta-analysis of engagement and financial performance in companies across multiple industries reveals that business units that score above our database median on customer and employee engagement significantly outperform units that rank in the bottom half on both measures.

Organizations employing Performance Optimization principles have outperformed their competitors by 26% in gross margin and 85% in sales growth. Their customers buy more, spend more, return more often, and stay longer. Blending strategic analysis with hands-on, practical steps and advice, Performance Optimization changes how leaders view their work, their employees, and their customers.

## Gallup's Global Reach

Gallup's 2,000 professionals deliver services at client organizations and from 40 offices around the world.

### Benchmarking World-Class Organizations

Gallup maintains the world's most comprehensive historical and comparative employee engagement databases. The historical database contains data collected in 67 languages from more than 17 million respondents in 175 countries worldwide. Gallup updates the comparative database annually, which enables clients to benchmark their organization's employee engagement levels against the most recent data Gallup collects from around the world. Gallup's most recent database, covering the past three years, includes data collected from more than 6.5 million employees representing more than 815,000 workgroups in 16 major industries and more than 70 sub-industries in 170 countries worldwide.

Gallup understands the importance of timely data and relevant comparisons in the competitive landscape of today's fast-paced marketplace. As a result, your organization can compare its engagement data with Gallup's global, world-class, industry-specific, or custom database segments.

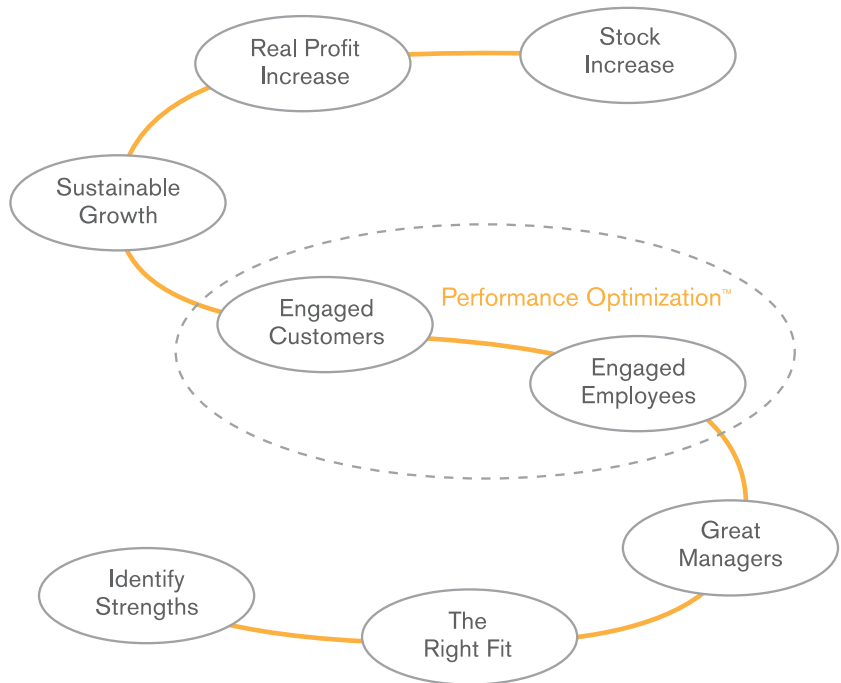
## Change That Drives Outcomes

Transformation does not occur instantaneously. It takes a lot of energy and effort to initiate change, and it takes even more energy to build on that momentum. It takes focused attention to drive engagement. A partnership with Gallup will help your organization influence and inspire engagement by building a "people" strategy that holds people accountable for performance, aligns communication, and builds development opportunities for leaders, managers, and frontline employees, giving your organization a competitive edge.



GALLUP Path  
**Microeconomics**

A behavioral economic model for organizations



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“Best Buy has already had success in connecting improved employee-engagement scores to store performance: it found that for every 10<sup>th</sup> of a point it boosted the former, its stores saw a \$100,000 increase in operating income.”

— CFO Magazine, June 1, 2007



For more information about Gallup Consulting or Gallup’s employee engagement programs, please visit [consulting.gallup.com](http://consulting.gallup.com) or contact Sarah Van Allen at 202.715.3152 or [sarah\\_van\\_allen@gallup.com](mailto:sarah_van_allen@gallup.com).

## GALLUP

### World Headquarters

The Gallup Building  
901 F Street, NW  
Washington, D.C. 20004

t +1.877.242.5587

f +1.202.715.3045

[www.gallup.com](http://www.gallup.com)