



RESEARCH NOTES



STRATEGIC ALIGNMENT



MERGER & ACQUISITION



TRANSFORMATION & TURNAROUND



TALENT MANAGEMENT

ORGANIZATIONAL CULTURE & EMPLOYEE ENGAGEMENT

What's the Relationship?

As a leader, which is more important to you?

That your organization is performing the way it needs to in order to meet your business objectives? Or that your employees are well engaged in their jobs?

Chances are that both are important. Both impact each other, and both are important parts of the organizational system. Organizational culture is an organizational-level construct that measures organizational behaviors and practices as a whole. Culture gives you the big picture of how your organization is functioning and can be used to predict performance on important metrics such as profitability, growth, innovation, quality, and customer satisfaction. A survey of organizational culture often contains items from this overall perspective, such as—"Our strategy leads other organizations to change the way they compete in the industry" and "Innovation and risk taking are encouraged and rewarded" (The Denison Organizational Culture Survey, 1998).

Employee engagement, on the other hand, measures your individual employees' level of engagement with their jobs and their organization. Most employee engagement surveys are designed to look at an individual's behaviors and satisfaction with their particular job. These types of surveys best predict individual-level performance and often include items such as: "I am passionate about my work" and "My manager gives me the tools and resources I need to do my job." As a leader or manager, it's important to know the extent to which your employees are engaged. However, if employee engagement is all you look at, you see only part of the picture.

Understanding employee engagement is most valuable when understood within the context of the strengths and weaknesses of the organization. If we look at employee engagement alone, without considering the culture that

employees work in, we potentially leave ourselves blind to the strategic strengths and weaknesses in the organization that impact employee performance and ultimately, organizational performance. For instance, consider an organization that measures employee engagement and finds that both the Research & Development Department and the Sales Department are highly engaged in their work. They may feel confident that all is well within those departments and that value is being created for their customers. What the survey may not be telling them, however, is that, while both departments are working well individually, neither department is communicating with the other. This, in turn, is creating serious challenges for their new product development process and impacting future business opportunities and growth. In fact, it is easy for an organization to have very high engagement scores but also be facing serious issues such as silos, misalignment, or distrust in the larger organization. Typical employee engagement measures often say little about how the organization works as a whole—making it difficult to define a path forward without knowing the broader context of the organization.

Our Approach to Employee Engagement

We provide leaders and managers with the tools necessary to ensure that the characteristics of their organization serve to inspire employees to be engaged. At the core of our approach is the Denison Organizational Culture Survey (DOCS), which measures the overall health of an organization. With proven links to organizational performance, such as profitability, growth, innovation, customer satisfaction, employee satisfaction, and quality, the DOCS provides an objective, reliable measure of the organization's strategic strengths and weaknesses. The Denison Employee Engagement Module is an additional brief and reliable measure of employee

engagement that helps leaders and managers understand how their individual employees feel about their work and the impact that the culture has on their attitudes toward their job. By pairing these two surveys, organizations can align their efforts and gain greater clarity about their employees' individual performance and the organization's performance.

Engagement Is an Outcome of a Healthy Culture

We believe employee engagement is an outcome of a healthy culture, but as a research-based company, we needed to do the work to prove it. What aspects of culture most strongly relate to employee engagement? To answer this question, we looked at a sample of 9,464 individuals in 90 organizations who completed both the Denison Organizational Culture Survey and the Denison Engagement Content Module between January and July of 2010 to try to uncover key relationships.

First, we explored the overall relationship between culture and engagement to assess: "Do organizations with stronger cultures also have more engaged employees?" We divided the 90 organizations that used both the DOCS and the Denison Employee Engagement Module into the "top 10" and "bottom 10" scoring organizations based on their overall DOCS scores. We then compared the Engagement Factor scores of these two groups. Scores on the Denison Employee Engagement Module are calculated by giving each organization an overall Engagement Factor. This Factor is a percentile score that tells the organization how "engaged" the individuals of the organization are compared to the other organizations in our Engagement Normative Benchmark.

The results showed compelling evidence of the connection between culture and engagement. The bottom 10 organizations on DOCS overall had an Engagement Factor in the 11th percentile, while those in the top 10 were in the 83rd percentile compared to the Engagement Benchmark Database (see Figure 1). This clearly demonstrates that organizations with stronger cultures also have a highly engaged workforce.

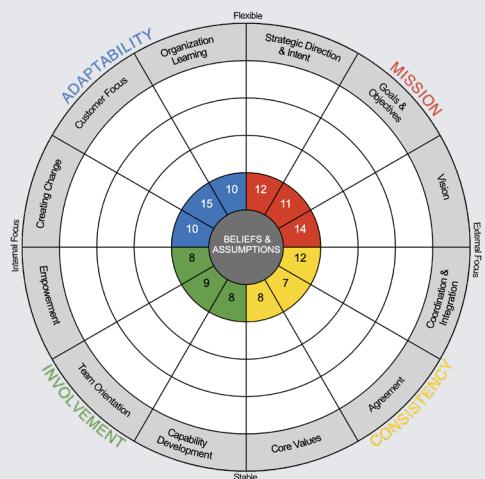
Engagement at the Item Level

Comparing the overall scores of the DOCS and the Denison Employee Engagement Module gave us a good idea of the "big picture" relationship of culture and engagement, but we also wanted to dig deeper to see what

specific aspects of culture most strongly relate to engagement. We correlated each line item of the DOCS with the Engagement Factor and found four key survey items that most strongly correlate to employee engagement:

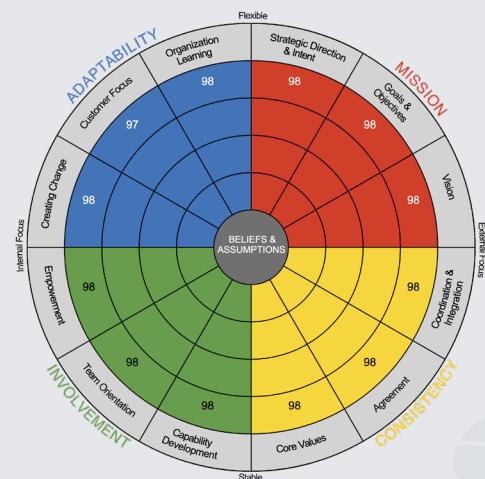
- Our vision creates excitement and motivation for our employees. (Mission: Vision)
- There is a clear mission that gives meaning and direction to our work. (Mission: Strategic Direction & Intent)
- Everyone believes that he or she can have a positive impact. (Involvement: Empowerment)
- The leaders and managers "practice what they preach." (Consistency: Core Values)

Bottom 10 Cultures Overall



Engagement Factor = 11th Percentile

Top 10 Cultures Overall



Engagement Factor = 83rd Percentile

In a sample of 90 organizations using the Denison Organizational Culture Survey and the Engagement Module, we found firms with low scores on culture also had lower engagement scores. Conversely, organizations with strong culture scores had significantly higher engagement scores. This suggests a strong relationship between the health of an organization's culture and their employees' individual level of engagement.

While a strong correlation does not prove causation, we feel comfortable in saying that an organization with a compelling vision, a clear mission that guides an individual's work, where people feel they can make a difference, and where leaders practice what they preach, will be more likely to have a highly engaged workforce.

Implications for Action Planning

Interestingly, the item, "The leaders and managers practice what they preach," was the highest correlated item. According to our research, when managers act in congruence with their words, employees are willing to give more and are more passionate about what they do. This has important implications for organizations trying to improve their engagement scores. Typical engagement surveys include items such as: "I enjoy coming to work every day." While this is important information to know, how does a busy leader, team or department create an action plan for making an employee happy to come to work? The DOCS provides a roadmap for actions and behaviors that managers can use to improve their practices. Understanding the context

of the organization—the culture—along with employee engagement is critical to obtaining a clear picture of your organization's human capital.

Engagement at the Index Level

Finally, we looked at the relationship between the Indexes of the Denison Model and the Employee Engagement Module. Using regression analyses, we were able to determine which of the twelve indexes of the Model were important to engagement: Vision, Core Values, Capability Development and Empowerment (see Figure 4). Not surprisingly, the Empowerment and Capability Development indexes of the Model were significant predictors of employee engagement. These indexes measure concepts that are often captured in employee engagement surveys:

- How empowered do employees feel to make decisions?
- How much input into the organization do they feel they have, and can they make a difference?
- Does the organization invest in employee skills and development?

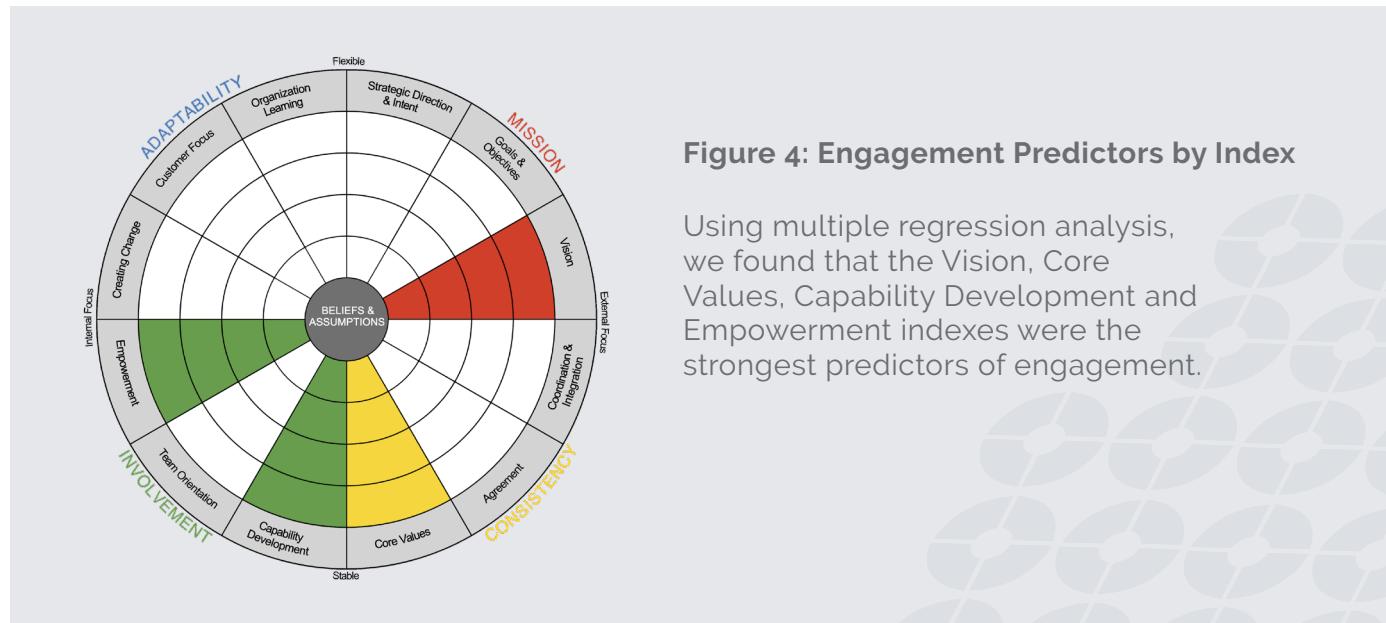


Figure 4: Engagement Predictors by Index

Using multiple regression analysis, we found that the Vision, Core Values, Capability Development and Empowerment indexes were the strongest predictors of engagement.

We again saw the strong impact of the item, "Leaders and managers practice what they preach." The Core Values index, which contains that item, was the strongest predictor of engagement. This suggests that of all the factors that can influence employee engagement, the behaviors embodied in Core Values, can have the most significant impact.

This includes: having "a clear and consistent set of values that governs the way we do business," having "a characteristic management style and a distinct set of management practices," and, of course, having "leaders and managers 'practice what they preach.'" Each of these are important to the pride, enthusiasm, and commitment of your employees and are important areas to focus on if you find your employee engagement scores are low.

The significant relationships found here suggest that employee perceptions of how the organization as a whole functions in the areas of Mission, Adaptability, Involvement, and Consistency are important predictors of individual-level engagement. As we would expect, the indexes in the Involvement trait are important to an employee's level of engagement. However, the significant relationships that exist between employee engagement and other indexes, such as Core Values and Vision, point to the importance of looking beyond the more traditional understanding of engagement to a more comprehensive understanding of organizational practices.

Healthy Culture and Engaged Employees

At the end of the day, organizations value what brings about the results they most desire: improved performance and overall effectiveness. The best way to accomplish this is not by looking at employee engagement alone, but also by gaining an understanding of the organizational context and culture the employees work within. It is the combination of a healthy culture and engaged employees that is most critical to improving your organization's effectiveness—and the experiences of the people in it.

Related Resources

Corporate Executive Board. (2004). Driving performance and retention through employee engagement.

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