

JOB PERFORMANCE NOT A PREDICTOR OF EMPLOYEE ENGAGEMENT

**New Analysis Linking Engagement
Scores with Appraisal Scores Shows
Low Performers More Engaged than
High and Middle Performers**

By Mark Murphy, CEO of Leadership IQ

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INTRODUCTION

Every leader wants engaged employees, but how much do you really know about engagement in your organization? For instance: are your high performers the most engaged employees? What about your middle performers: are they more engaged than your low performers? And how about your low performers: are they even engaged at all?

You'll want to read on before you rush to answer these questions. Because the six findings shared here reveal surprising new engagement information that will forever change the way you define and lead employee engagement.

Leadership IQ, a leading employee engagement survey company, has discovered that in 42% of organizations, low performers are actually MORE ENGAGED than high and middle performers. Think about that for a moment: The employees bringing you the least value are often more engaged than the folks who reliably deliver good and great performance. There are ample reasons why this puts organizations at risk. And one of them is the fact that high performers, who thrive on being highly engaged, don't tend to stick around very long if they aren't engaged.

It's disturbing news for any company that believes their people are their most important asset. And the best leaders are responding by learning the facts and taking action.

This report is intended to help you do just that. Here you'll find an analytical breakdown that focuses on one of the organizations we studied. You'll see for yourself how our analysis revealed this disturbing engagement phenomenon. And you'll begin to learn where to look within your own organization to identify and rectify these dangerous and often-overlooked engagement issues.

BACKGROUND

Leadership IQ's research base includes thousands of companies and their employees. For this report, we've selected one organization out of many with these results to explore in depth. The organization used as the example here is a services company in the technology sector with just over 1,000 employees (we've rounded the numbers to protect their anonymity). Let's call them "Tech X."

Leadership IQ's analytics platform allowed us to measure the engagement scores of Tech X's employees according to the scores they received on their annual performance appraisals. Tech X's annual appraisal uses a 4-point scale, ranging from Unacceptable to Superior. According to the company's 2012 statistics, 18% of employees can be considered low performers, 20% are considered high performers, and 62% are considered middle performers.

Leadership IQ customizes our employee engagement surveys for each client, but we've found there are 20 to 30 core survey questions that are highly statistically-predictive in determining engagement. We selected the following six to analyze here:

1. I am motivated to give 100% effort when I'm at work.
2. I recommend Tech X as a great organization to work for.
3. Leadership holds people accountable for their performance.
4. My Direct Leader recognizes my accomplishments with praise.
5. Success in my career is dependent on my personal actions and choices (not the actions/choices of others).
6. The employees at Tech X all live up to the same standards.

As part of our industry-leading statistical techniques, our survey questions are rated on a 7-point scale (ranging from Never to Always). This means our data has more statistical normalcy than the common 5-point scale, and our results don't suffer from the same 'range restrictions' and 'ceiling effects' as the typical employee survey.

RESULTS**FINDING #1: LOW PERFORMERS ARE THE MOST MOTIVATED TO GIVE 100% EFFORT AT WORK**

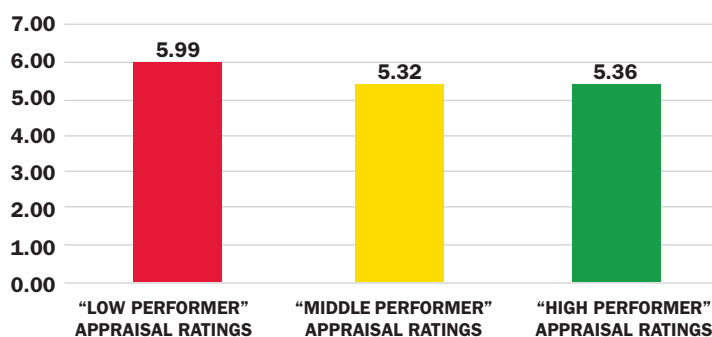
The most engaged employees give the most effort at work, and when high and middle performers are happy to drip blood, sweat and tears to achieve greatness, the benefits are obvious and enormous.

However, as shown in the chart below, employees at Tech X who received “low performer” ratings on their annual review scored .63 points higher than employees who got “high performer” ratings when asked to rate: “I am motivated to give 100% effort at work.” Which means that at Tech X (just like in many organizations) high and middle performers aren’t reaching their full potential.

To put this into context, on a 7-point scale, if an entire company moved .6 points overall, they could potentially improve from the 50th percentile to the 80th percentile. So six-tenths-of-a-point, while it may appear minimal, is an absolutely huge gap that can make all the difference in delivering results.

To help high and middle performers reach their full potential, leaders must discover and respond to the factors pushing valuable employees out the door and build on the factors that tug at them to stay. Using research like the Leadership IQ Hundred Center Index is a great way to uncover the truth about engagement. But here’s a tool that will let you get started right away. It’s a quick and casual chat we call the “Shoves and Tugs” conversation and it taps right into the intrinsic motivators and demotivators of your employees. Basically, once a month, hold a one-on-one conversation that asks high and middle performers: “Tell me about a time in the past month when you felt demotivated or emotionally burned out,” and “Tell me about a time in the past month when you felt motivated/excited/jazzed up.” If your employees aren’t used to this kind of one-on-one approach you may have to probe a bit to get past superficial or suspicious answers and land at a place where employees say: “Here’s the problem and here’s how I think we can fix it.” Just one important thing to note here: Shoves must be neutralized or mitigated before Tugs can have any real impact.

I AM MOTIVATED TO GIVE 100% EFFORT WHEN I'M AT WORK.



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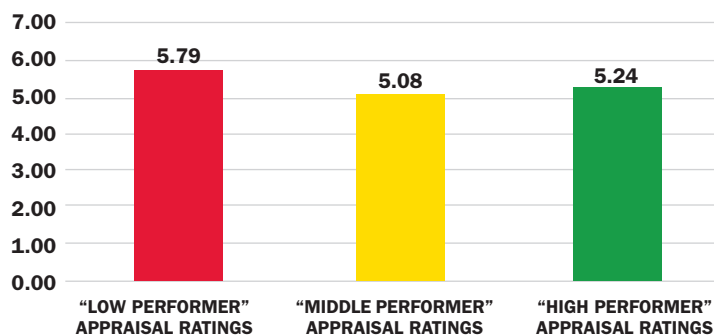
FINDING #2: LOW PERFORMERS ARE MORE LIKELY TO RECOMMEND THEIR ORGANIZATION AS A “GREAT PLACE TO WORK.”

Every organization wants employees that are brand ambassadors. Their love and enthusiasm for the organization draws in and keeps exceptional customers, devoted clients and great new talent. But much like Finding #1, it's the low performers at Tech X that are significantly more likely to recommend the company as “a great place to work.”

The problems here are multiple. First off, we have low performers so comfortable in their status quo that they aren't afraid to say “Well, I don't do much around here, but it sure is a great place to work.” As for the middle and high performers, their low enthusiasm can lead to weak client and customer relations. And it certainly doesn't predict success for recruiting efforts or building a talent pool of good and great performers.

To help high and middle performers reach their full potential, if your best people aren't shouting from the rooftops “This is a great place to work,” you should be investigating why. Because if your high performers can't say “this is a great place to work,” they're probably out there, right now, looking to find a place to work that is. This is another critical situation where Leadership IQ's Hundred Percenter Index can pinpoint precisely which issues are engaging (and disengaging) your employees and then take it to the next level and give your managers the exact roadmap and skills training they need to solve these issues, while increasing overall employee performance. And again, a great way to start learning about your people's intrinsic motivators and demotivators right now is the “Shoves and Tugs” conversation introduced in Finding #1.

I RECOMMEND ABC AS A GREAT ORGANIZATION TO WORK FOR.



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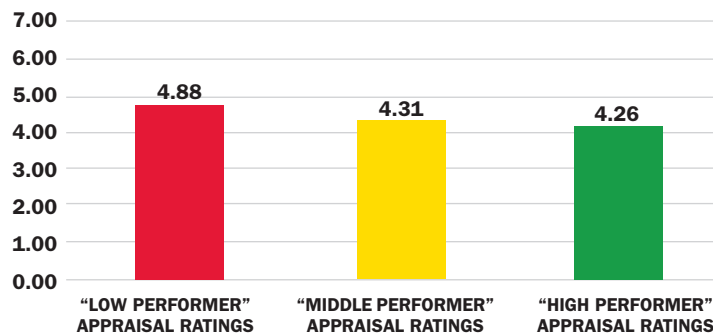
FINDING #3: WHEN LOW PERFORMERS ARE NOT HELD ACCOUNTABLE FOR POOR PERFORMANCE IT NEGATIVELY IMPACTS HIGH AND MIDDLE PERFORMERS

All leaders love their high performers for their logical, independent and self-sufficient action and reaction. Unfortunately, at Tech X, high performers don't see a whole lot of people being held accountable for their performance largely because their work is often perceived as "expected". And as a result, it's diminishing high-performer accountability with similarly discouraged middle performers not far behind them.

In absolute terms, all three groups have low scores here (scores in the 4's generally indicate some problems). But relatively, the scores are even worse. And the accountability issue often cuts in two directions; first, high performers often are dissatisfied with how low performers don't appear to be held accountable for their low performance (especially because the high performers often have to clean up any messes made by low performers). And second, high performers often feel a lack of recognition for their high performance largely because their work is often perceived as "expected".

To help high and middle performers reach their full potential, great leaders take action to make their employees more mentally and emotionally accountable. And increasing employee accountability starts by understanding the stages that lead to accountability and knowing how to quickly move employees through those stages, clearly defining what accountability looks like and, finally, enforcing accountability with real-life consequences. This sends the kind of positive message that gets high and middle performers back onboard and tells low performers that the free ride is over and it's now up to them to either improve or be removed.

LEADERSHIP HOLDS PEOPLE ACCOUNTABLE FOR THEIR PERFORMANCE.

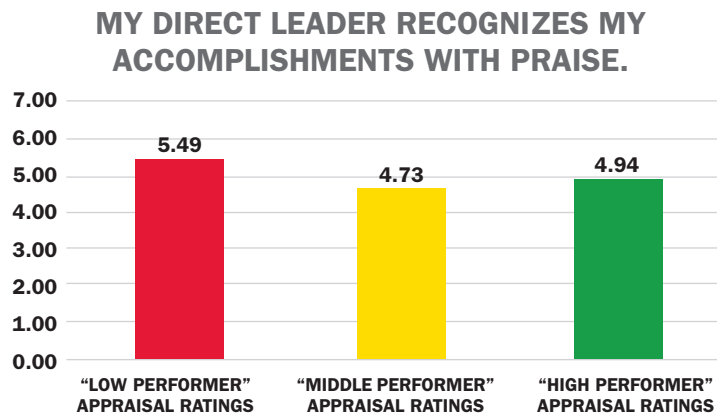


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FINDING #4 HIGH PERFORMER EFFORTS GO LARGELY UNRECOGNIZED WHILE LOW PERFORMERS RECEIVE POSITIVE REINFORCEMENT

We can see the lack of positive reinforcement for terrific actions at Tech X very clearly in the chart below. And not only are high performers failing to get the reinforcement they deserve, apparently low performers are receiving positive reinforcement for their poor performance. And Tech X isn't alone in this. One big issue around why this problem exists in so many organizations is that most yearly reviews are skills based, which allows the skilled employees with poor attitudes (the very worst kind of low performers) to skate through performance reviews, continually getting rewarded for their bad attitude.

To help high and middle performers reach their full potential, successful organizations identify the key attitudes that define their success and failure so their leaders can accurately identify, reward and correct behavior according to actual employee performance.



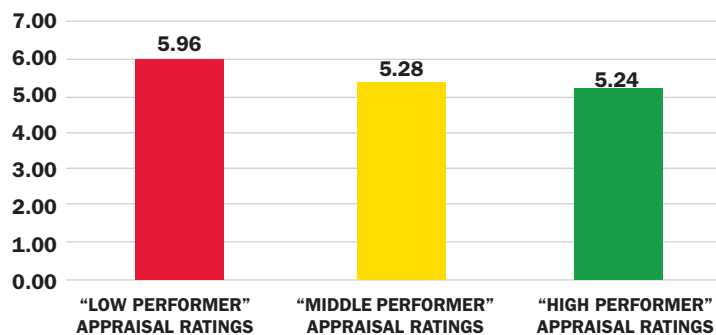
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FINDING #5: HIGH PERFORMERS FEEL HELPLESS ABOUT THE TRAJECTORY OF THEIR CAREERS

Although the previous findings are all disturbing, Finding #5 just might be the worst. As a result of Tech X's actions (or inactions), high performers are beginning to feel helpless about the trajectory of their career. Technically, we call this "losing the internal locus of control." And the big issue here is that the more high performers feel that they don't really control whether they achieve success in their career (i.e. that instead it's in the hands of their capricious manager, or other abstract sources), the less likely they are to continue to exert high performance effort and the more likely they are to quit. In fact, this issue is one of the biggest worldwide predictors as to whether a high performer will quit or remain with the organization.

To help high and middle performers reach their full potential, the best leaders make sure employees, and especially high performers, understand the company vision. They tell people what's ahead--- including the challenges, so employees maintain the power to develop their own role within the organization. It encourages them to develop the skills and attitudes they need to continue bringing value to the organization and their own career growth.

SUCCESS IN MY CAREER IS DEPENDENT ON MY PERSONAL ACTIONS AND CHOICES (NOT THE ACTIONS/CHOICES OF OTHERS).



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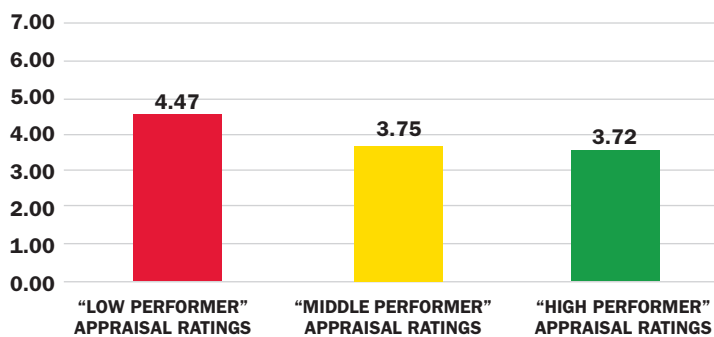
FINDING #6: LOW PERFORMERS DON'T KNOW THEY ARE LOW PERFORMERS

It's an unhealthy and all too common dynamic when low performers don't know they are low performers. Not only does it prevent low performers that do want to improve to do so, the vast majority of people don't like working with low performers. In fact, one Leadership IQ study of over 70,000 employees revealed that 87% of employees working with a low performer had made them want to change jobs. And 93% said that working with low performers actually decreased their productivity.

To help high and middle performers reach their full potential, leaders recognize that what defines most low performers is the wrong attitude (not a lack of skill). But these leaders can stop bad attitudes before they start by changing the way they teach expectations. Because you can say: "be accountable, take ownership, treat everyone in a courteous manner and maintain the highest standards of professionalism" until you turn blue in the face. But until you paint a clear behavioral picture that tells employees exactly what the behaviors accompanying those words looks like broken into the three levels: "Needs Work", "Good Work" and "Great Work" it's anybody's guess. And that's exactly what's going wrong at Tech X. Leadership IQ teaches a technique called Word Pictures®. The critical thing when delivering this kind of verbal picture is that it passes the following tests:

- Would two strangers be able to understand the expectations I just set?
- Would two strangers be able to grade my employees based on these expectations?

THE EMPLOYEES AT ABC ALL LIVE UP TO THE SAME STANDARDS.



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NEXT STEPS

You may already recognize that your organization suffers from one or more of the same engagement issues as Tech X. But there's only one way to know for sure, and that's to conduct the same type of analysis, preferably using Leadership IQ's survey and analytics.

Leadership IQ has developed the most technologically and statistically-advanced engagement survey in the industry. Using multivariate statistics and textual analysis, we can pinpoint precisely which issues are engaging (and disengaging) your employees. And unlike most survey companies, we take it to the next level and give your managers the exact roadmap and skills training they need to solve these issues while increasing overall employee performance.

Following every survey project, we conduct intense "leadership skills" training sessions for managers. Highly customized, these sessions take your managers deep into the actual survey to understand what the results of each question mean to employees, their role as a leader and to the organization as a whole. Managers who receive our training learn to break down their big goals so finitely that they know exactly what they need to do today in order to stay on track of those action plans and the big goals they represent.

If you'd like to talk more about the engagement issues at your organization and evaluate your current efforts, call us today at 800-814-7859 or email info@leadershipiq.com. We also recommend signing up for our [email newsletter](#) to get tips on how to handle your most pressing leadership challenges. Plus, check out our upcoming [webinar schedule](#) for high-value, low-cost training for you and your entire team.

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**About Mark Murphy, author of *Hiring for Attitude* and CEO of Leadership IQ**

Mark Murphy is the founder and CEO of Leadership IQ. An expert in aligning goals and people to create healthy organizational change, Mark leads one of the world's largest studies on goal-setting and leadership, and his groundbreaking research has been featured in *Fortune*, *Forbes*, *Businessweek*, *U.S. News & World Report*, the *Washington Post*, and hundreds more periodicals. Mark has appeared on *CBS News Sunday Morning*, *ABC's 20/20*, *Fox Business News*, and other top broadcasts.

Mark has lectured at the Harvard Business School, Yale University, the University of Rochester, and the University of Florida. And his clients include Microsoft, IBM, MasterCard, Merck, MD Anderson Cancer Center, FirstEnergy, Volkswagen and Johns Hopkins.

Author of the new book *Hiring for Attitude* (McGraw-Hill; Dec. 9, 2011), Mark has also written the international bestseller *Hundred Percenters: Challenge Your People to Give It Their All and They'll Give You Even More*, as well as *Hard Goals*, *The Deadly Sins of Employee Retention*, and *Generation Y and the New Rules of Management*.

Among his many honors, Mark was a three-time nominee for Modern Healthcare's "Most Powerful People in Healthcare Award," joining a list of 300 luminaries including Hillary Clinton and Bill Frist — among only 15 consultants ever to be nominated to this list. He was also awarded the prestigious Healthcare Financial Management Association's "Helen Yerger Award for Best Research" for being the first person to discover the link between patient mortality rates and hospital finances. Some of his other well-known research studies include "Are SMART Goals Dumb?" "Why CEO's Get Fired," "Why New Hires Fail" and "Don't Expect Layoff Survivors to Be Grateful."

Leadership IQ is headquartered in Atlanta, GA, with regional offices in Chicago, New York, Washington, D.C. and Shanghai.