

Aon Hewitt's Model of Employee Engagement

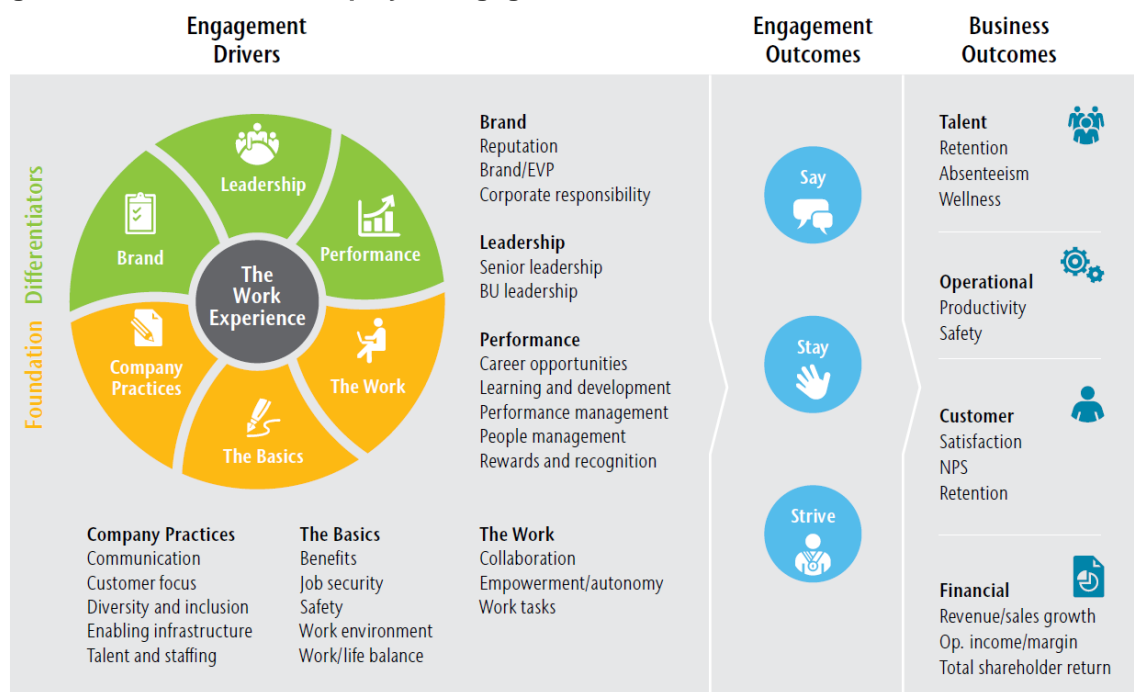
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Engagement on Top of the Talent Agenda

The vast majority of HR practitioners state that employee engagement is one of the primary objectives of a talent strategy.¹ Use of the term “employee engagement” seems ubiquitous, and most organizations use a general definition of engagement as something beyond satisfaction that describes an employee’s discretionary effort.^{2,3} Many organizations are thus measuring employee engagement in regular employee surveys as an important business indicator.

Measurement reliability and validity are important prerequisites of an effective engagement survey. This paper will review Aon Hewitt’s employee engagement model and will provide empirical evidence for the validity of our engagement measure from our extensive global employee research database of over 8 million employees.

Figure 1. The Aon Hewitt Employee Engagement Model



Engaged Employees “Say, Stay, and Strive”




The Aon Hewitt engagement model above includes the organizational drivers and business outcomes of engagement as well as the individual outcome—engagement itself. When we talk about the employee engagement construct, we reference the psychological state and behavioral outcomes that lead to better performance. Engagement is thought to include a combination of several constructs widely accepted in academic literature such as affective and continuance commitment, motivation, and organizational citizenship behaviors.⁴ Practically speaking, this means engagement involves a combination of rational thought, emotions, intentions, and behaviors required for optimal performance and productivity. We operationalize employee engagement as a construct of six items composed of three observable facets of “say, stay, and strive” with two items each, as shown in the following table.

¹ Aon Hewitt. “2012 Total Rewards Survey: Transforming Potential into Value.” (2012)

² Society for Human Resource Management. “2014 Employee Job Satisfaction and Engagement: The Road to Economic Recovery.” May 2014.

³ Rooy David, L.V., Whitman, D.S., Hart, D., and Caleo, S. “Measuring Employee Engagement During Financial Downturn: Business Imperative or Nuisance?” *Journal of Business Psychology* 26 (2011): 147-152. Print

⁴ Macey, W.H., and Schneider, B. “The Meaning of Employee Engagement.” *Industrial and Organizational Psychology* 1 (2008): 3-30. Print

Engagement	Content	Items in Aon Hewitt Operational Definition
	Speak positively about the organization to coworkers, potential employees, and customers	<ul style="list-style-type: none"> ▪ I would not hesitate to recommend this organization to a friend seeking employment ▪ Given the opportunity, I tell others great things about working here
	Have an intense sense of belonging and desire to be part of the organization	<ul style="list-style-type: none"> ▪ It would take a lot to get me to leave this organization ▪ I rarely think about leaving this organization to work somewhere else
	Are motivated and exert effort toward success in their job and for the company	<ul style="list-style-type: none"> ▪ This organization inspires me to do my best work every day ▪ This organization motivates me to contribute more than is normally required to complete my work

This “say, stay, and strive” definition was derived from thousands of managerial interviews and focus group discussions we have conducted globally regarding what engaged employees think and do. We believe that an employee must exhibit all three facets of saying, staying, and striving to be considered “engaged.”

Engagement Measure Reliability

We analyzed employee survey responses from a random sample of 12 organizations from our 2010–2013 database varying in industry and geographical region. The reliability (measured by Cronbach’s alpha) of the engagement scores obtained across industries and regions suggests that these items provide a consistent and reliable measure of engagement. Reliability coefficients for the six-item construct exceed the generally accepted threshold of 0.7 and yield an average reliability of 0.91. Deeper item analyses suggest that the internal consistency is not improved by removing any of the six engagement items, and each of the sub-facets (say, stay, and strive) also meets reliability thresholds.

Table 1. Item Reliability of the Aon Hewitt Six-Item Employee Engagement Index (Cronbach's Alpha)

Organization	Region	N (sample size)	Alpha 6 Items	Alpha 2 Stay	Alpha 2 Say	Alpha 2 Strive
1	Asia	20,216	0.86	0.75	0.78	0.80
2	Asia	2,953	0.91	0.85	0.82	0.90
3	Australia/New Zealand	18,876	0.93	0.88	0.89	0.88
4	Europe	4,209	0.93	0.88	0.91	0.89
5	Europe	5,614	0.93	0.87	0.88	0.92
6	Europe	1,382	0.93	0.88	0.86	0.91
7	Latin America	72,025	0.90	0.80	0.84	0.88
8	Latin America	11,532	0.91	0.65	0.86	0.90
9	Latin America	182	0.89	0.70	0.70	0.88
10	North America	3,672	0.94	0.88	0.89	0.89
11	North America	5,542	0.90	0.84	0.87	0.86
12	North America	1,097	0.93	0.87	0.88	0.87
AVERAGE			0.91	0.82	0.85	0.88

Engagement Construct Validity

In addition to the reliability and internal consistency of this measure, employee responses to this six-item construct are also valid indicators of employee engagement. We conducted exploratory factor analysis on a random sample of over 20,000 employees from 2013–2014 studies across global geographic regions. This analysis included our six engagement items as well as a sampling of items from other well-known “driver” constructs from our model, such as supervision/manager, collaboration, senior leadership, rewards, enablement, and learning and development. The results of this factor analysis are displayed in Table 2.

Table 2. Exploratory Factor Analysis (Oblimin Rotation)

		Component						
		1	2	3	4	5	6	7
Engagement	It would take a lot to get me to leave...	.88	-.01	-.01	-.10	.06	.02	.03
	I rarely think about leaving...	.85	.04	.01	-.03	.10	-.02	-.08
	I wouldn't hesitate to recommend this organization to a friend...	.77	-.03	.04	.06	-.09	.03	.12
	I tell others great things about working here...	.76	.02	.04	.12	-.10	.03	.06
	This organization inspires my best work...	.57	.10	.03	.17	.04	.10	.01
	This organization motivates me56	.11	.03	.14	.08	.08	.03
Manager	My manager sets clear goals...	-.01	.87	.04	.03	-.05	.04	.03
	My manager provides feedback...	.00	.87	.00	.02	-.03	.06	.05
	My manager recognizes efforts...	.05	.86	.05	-.01	.09	-.04	-.03
Collaboration	Coworkers work together...	.07	.06	.87	.00	.02	-.04	-.09
	Coworkers share best practices...	-.03	.05	.86	-.03	-.02	-.01	.10
	Good cooperation between departments...	-.01	-.11	.54	.16	.05	.26	.07
Senior Leadership	Senior leadership communication...	.01	.03	.01	.87	.03	-.02	.00
	Senior leadership is accessible...	-.02	.01	.00	.87	.06	-.01	.00
	Senior leadership provides clear direction...	.05	.01	.01	.82	-.05	.02	.05
Rewards	Performance impacts pay...	-.01	-.01	.04	-.03	.83	.00	.12
	Paid fairly...	.10	-.01	.01	.12	.73	.08	-.04
	I receive recognition...	.01	.30	-.01	.13	.50	.07	.05
Enablement	Required staffing levels...	.01	.00	.06	.01	.07	.82	-.12
	Tools and resources support productivity...	.05	.01	-.01	-.03	-.02	.80	.11
	Work processes support productivity...	.05	.11	-.03	.04	-.01	.67	.14
Learning and Advancement	Support for learning and development...	.00	.00	.05	.05	.02	.07	.79
	Opportunity to gain new skills...	.06	.13	.03	.03	.08	.06	.64
	Career opportunities...	.20	.04	.04	.08	.16	-.04	.57

The results show clear patterns of strong factor loadings for items in line with hypothesized constructs (as seen in Table 2 highlighted in green). This analysis provides the evidence required for two important types of validity—convergent and discriminant validity. The six engagement items have strong convergent validity in that they have clear and strong factor loadings in the same factor (factor 1). The engagement factor is also found to be correlated with other similar factors like organizational reputation ($r=0.62$, $p<.01$). The factor loadings provide strong discriminant validity for the six engagement items in that they have very low cross-loadings with other known factors of items in the table.

These two sources of validity provide evidence that the model measures engagement and that all six items belong to the same construct and not some other related construct. For instance, our analyses suggest that enablement is a driver of engagement rather than a part of the engagement model—including enablement in the model would confound the measure with a different, but related, construct.

Forcing a three-factor solution on the six engagement items supports each of the respective say, stay, and strive sub-facets. However, using the eigenvalue >1 rule, a single-factor solution is found across all six items (meaning say, stay, and strive all belong to the higher order factor of engagement). With a forced two-factor solution, the two “strive” items are the first to break off, indicating that they are perhaps subtly different, and—perhaps more important—facets of both “say” or “stay.”

Criterion Validity

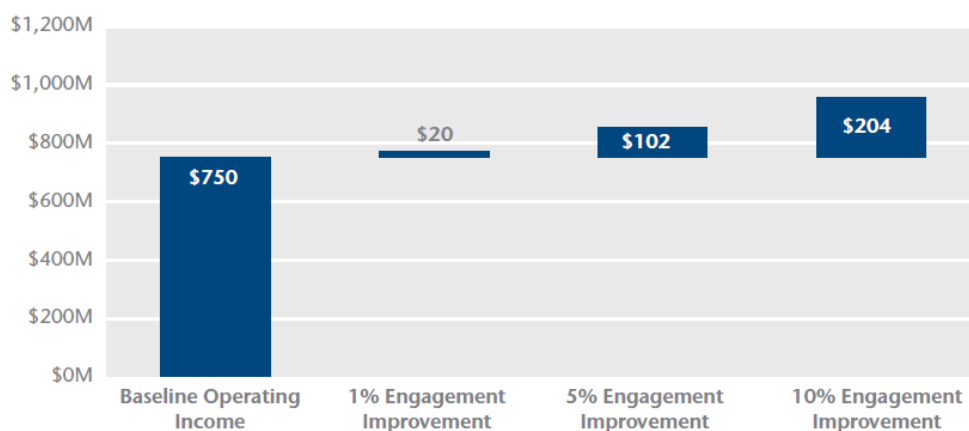
The degree to which scores on the engagement construct are related to and can predict important outcomes provides further evidence of validity. As our engagement model in Figure 1 suggests, we repeatedly see strong correlations between our employee engagement metric and important talent, operational, customer, and financial outcomes across clients in a wide variety of industries and regions.

In our database of over 8 million employees across organizations, we find that the companies with top quartile engagement levels (72% or above) have 50% higher total shareholder return (TSR) than the average company, and companies with bottom quartile engagement levels (50% or lower) have 50% lower TSR than the average company.

Figure 2 below displays the sensitivity analysis from time-lagged analysis across 94 organizations where we found a strong positive correlation between year 1 employee engagement levels and sales growth one year later ($r=.41$, $p<.01$).⁵ This analysis establishes strong criterion validity for our engagement measure and also supports the causal inference behind employee engagement. Employee engagement can lead to better financial performance, and the Aon Hewitt engagement measure is an important predictor of this business outcome.

⁵ Aon Hewitt. “2013 Trends in Global Employee Engagement Report.” (2013)

Figure 2. Sensitivity Analysis of One-Year Lagged Operating Income to Changes in Employee Engagement for a \$5B Organization with 15% Operating Margin



Source: Aon Hewitt Engagement database

We also find significant correlations between engagement and other important outcomes with many of our client relationships. For example, with a wholesaler and logistics company, we found that highly engaged sales people exceeded sales targets by more than twice the rate of moderately engaged sales staff—and that actively disengaged sales people did not even meet sales targets. With a retail client, we found that stores with high employee engagement had significantly higher customer satisfaction than stores with low employee engagement. In a manufacturing organization, we found that plants with higher employee engagement had 75% fewer quality defects than plants with lower engagement levels. Finally, in a health insurance organization, we found that the groups with the highest engagement levels also had the highest average performance ratings. These are just a few examples, but these criterion-related links are consistent and pervasive across industries, jobs, and a variety of important outcomes.

Conclusions: Measure What Matters

These findings have several important implications:

- **Engaged employees who “say, stay, and strive” matter.** The extent to which employees say, stay, and strive is a good indicator of their engagement, can be used to measure organizational levels of engagement, and is a predictor of important business outcomes.
- **“Stay” is still relevant.** Some would suggest that in today’s workplace, loyalty has decreased and that the “stay” element is no longer relevant to engagement. However, the empirical evidence above demonstrates that these items related to “continuance commitment” do in fact belong to the same construct. Perhaps, as some leading-edge talent thinkers would suggest, it is more important than ever for organizations and managers to constantly re-recruit and re-engage top talent rather than accept high turnover as the new normal and beyond managerial control.⁶
- **“Strive” is critical.** Not all engagement measures include a “strive” element, even though this aspect is most consistent with a definition beyond employee satisfaction that implies “discretionary effort” or “going above and beyond.” The analysis above suggests that not only is the “strive” element an important part of a valid engagement measure, but also that it may have some unique explanatory power.

⁶ Hoffman, R., Casnocha, B, Yeh, C. “Tours of Duty: The New Employer-Employee Compact.” *Harvard Business Review* June 2013.

- **Enablement is not part of engagement.** Some engagement measures include an aspect of enablement. Our analysis suggests that this is a different measure and would confound an engagement measure with a different construct. Enablement is actually an important part of company practices within management's control, but is not part of an individual's engagement outcome itself.
- **Engagement drivers are also important.** Beyond the engagement outcome, predictors—or drivers of engagement—are a critical and actionable part of a complete engagement model. The complete Aon Hewitt engagement model includes not only a measure of the engagement outcome but also several engagement drivers grouped under various large themes: brand, leadership, performance, the work, the basics, and company practices.

The above discussion highlights the validity and reliability of Aon Hewitt's say, stay, and strive model of employee engagement. The construct is an internally consistent measure of engagement across industries and regions, and due to this consistency the model can remain stable over time. The engagement scores derived from employee data also provide valid indicators of individual and group engagement, and these scores further serve as useful predictors of external, business-relevant criteria such as turnover, productivity, safety, customer satisfaction, sales, and profitability.

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