Employee attitudes - such as job satisfaction, employee commitment, and employee engagement – matter to organizations. They are related to important outcomes, such as absenteeism, employee turnover, adaptation to change, cooperation with other employees, innovation, and the willingness to act in ways that go beyond one’s formal job description. Aggregated across work units, positive attitudes lead to the kinds of outcomes that speak directly to competitive advantage: improvements in customer satisfaction, profitability, and shareholder value. Recent longitudinal evidence based on large samples supports the causal impact of work-related attitudes on bottom-line financial measures. Company examples show that although work-related employee attitudes are intangible, they are measurable and strategically important to organizations everywhere.

Key Words: Attitudes (postawy), engagement (zaangażowanie), job satisfaction (satysfakcja z pracy), commitment (oddanie), turnover costs (koszty rotacji)

Does it matter to the performance of a business unit or organization what employees think about their jobs, their co-workers, and their supervisors? Do business units or organizations with more highly engaged employees – those who perform with more vigor, dedication, and absorption in their work – outperform those with less engaged employees? Before we begin, let us define some important terms.

Job satisfaction, commitment, and engagement are important work-related attitudes – internal states that are focused on particular aspects of or objects in the environment. As we will see shortly, these work-related attitudes are similar in meaning, yet there are important differences among them as well.

Attitudes are often multi-dimensional. Thus, for example, job satisfaction is a multi-dimensional attitude. In its 2009 survey of employees from small, medium, and large companies in a wide range of industries, the Society for Human Resource Management
found that the top five drivers of job satisfaction were job security, benefits, compensation/pay, opportunities to use skills and abilities, and a safe feeling in the work environment. Of course it is reasonable to expect that there may well be cultural, generational, and gender differences, among others, in the relative preferences of individuals for various drivers of job satisfaction.

As Cascio and Boudreau (2011) noted, job satisfaction is related to, but not identical with, employee engagement. Job satisfaction is an outcome. Engagement connotes activation—feelings of energy, enthusiasm, and a positive affective state. Although conceptually distinct, the two are highly correlated.

Likewise, organizational commitment is a bond or linking of an individual to the organization that makes it difficult to leave. It is the emotional engagement that people feel toward a firm. Commitment can be to the job or the organization and can take the form of a commitment to contribute, to stay, or both.

Commitment is closely related to the concept of employee engagement. Engagement is a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption. Vigor refers to high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties. Dedication is characterized by a sense of significance, enthusiasm, inspiration, pride, and challenge at work. Absorption consists of being so fully concentrated, happy, and deeply engrossed in one’s work that time passes quickly and one has difficulty detaching oneself from work.

Engagement fuels discretionary efforts and concern for quality. It is what prompts employees to identify with the success of their companies, to recommend them to others as good places to work, and to follow through to make sure problems get identified and solved.

The Logic Connecting Employee Attitudes, Behaviors, and Financial Outcomes

At a general level, employee satisfaction, commitment, and engagement affect organizational performance through employee behaviors. Employees with less positive attitudes may be absent, may be late for work, may quit more often, or may place less emphasis on customer satisfaction than those with more positive attitudes. Evidence indicates that this is often the case (see, for example, Brooks, Wiley, & Hause, 2006; Ryan, Schmit, & Johnson, 1996; Rogg, Schmidt, Shull, & Schmitt, 2001).

It is logical to expect that enhancing employee attitudes may affect a firm’s or a business unit’s financial performance. Thus we know that changing employee attitudes can have direct effects on employee turnover and absence, with the associated effects on the
costs of absence and turnover. Having a reputation as a satisfying place to work may enhance the ability to recruit more or higher-quality applicants. Moreover, some evidence suggests that employee attitudes directly affect employee performance, particularly the tendency for employees to do tasks that are beyond their formal job descriptions (often called “citizenship behaviors”) and to convey positive emotions to customers. These latter connections show up in productivity or service costs and in sales and revenue levels.

It is also important to note that these relationships are likely to vary depending on the nature of the talent pool and the work. For jobs whose contributions depend significantly on interacting with customers and conveying positive emotions, the effects of employee attitudes on service performance may be paramount. For jobs that seldom encounter a customer, but in which teamwork and cooperation are key, citizenship behaviors may be the vital connection. For jobs in which the costs of absence and turnover are very significant, the effects of employee attitudes on these behaviors may be the vital measurement question. Just as with all measurement, employee attitudes have different effects depending on what elements of employee behaviors are pivotal (Cascio & Boudreau, 2011).

At the level of the work unit, performance improves when highly engaged team members devote extra effort to innovation, cooperate with each other, and effectively adapt to change (Griffin, Parker, & Neal, 2008). Having an engaged employee base can facilitate adaptation to change, which is essential to innovation, continuous improvement, and competitiveness (Graen, 2008).

If one aggregates these kinds of behaviors from highly engaged employees across work units of the organization, this should lead to the kinds of outcomes that speak directly to competitive advantage: improvements in customer satisfaction, profitability, and shareholder value (Macey & Schneider, 2008). These are the kinds of outcomes that managers and investors care about. Exhibit 1 shows graphically some relationships among individual, work-unit, and organizational levels of engagement and financial outcomes that produce competitive advantage.

The following sections present several studies that empirically link high levels of work-related attitudes among employees to improvements in service climate, customer loyalty, discretionary effort, performance, and financial outcomes.

**Relationship of Employee Attitudes to Financial and Non-Financial Outcomes**

In a well-controlled field study (Schneider, White, & Paul, 1998), researchers selected a sample of three employees and ten customers from each of 120 hotel and restaurant work units. They demonstrated that organizational resources (for example, training,
Wayne F. Cascio

**Exhibit 1.** Logical relationships among behavioral indicators of employee engagement at the individual and work-unit levels, and, when aggregated at the organizational level, how engagement relates to competitive advantage.

<table>
<thead>
<tr>
<th>Employees Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Challenge and Learning, Autonomy, Supervisor Task Support, Climate of Respect and Trust, Work-Life Fit, Economic Security</td>
</tr>
<tr>
<td>High Engagement, High Job Satisfaction, Intentions to Stay</td>
</tr>
<tr>
<td>Highly Engaged Employees at the Work-Unit Level</td>
</tr>
<tr>
<td>Cooperate with Each Other</td>
</tr>
<tr>
<td>Devote Extra Effort to Innovation</td>
</tr>
<tr>
<td>Effectively Adapt to Change</td>
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<tr>
<td>Combined Over All Work Units</td>
</tr>
<tr>
<td>High Customer Satisfaction</td>
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<tr>
<td>High Probability (ROA)</td>
</tr>
<tr>
<td>Increased Shareholder Value</td>
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</tbody>
</table>


supervisor support, performance feedback) and employee engagement predict service climate (shared perceptions of practices and behaviors that are expected and rewarded with regard to customer service). Service climate, in turn, predicts employee performance and then customer loyalty. Loyal customers, in turn, tend to do two things:

- Recommend the organization to others
- Generate repeat business

Both of these have been shown to lead to changes in revenue growth, lagged about one fiscal quarter (Rucci, Kirn, & Quinn, 1998).

At a broader level, the Corporate Leadership Council found that every 10 percent improvement in commitment can increase an employee’s level of discretionary effort by 6 percent and performance by 2 percent, and that highly committed employees perform at a 20 percent higher level than non-committed employees. Another study by Hewitt Associates reported that double-digit growth companies have 39 percent more highly engaged employees and 45 percent fewer highly disengaged employees than single-digit growth companies (Corporate Voices for Working Families, 2005). These studies
provide very useful examples that connect employee attitude measures to intermediate processes, and ultimately to customer behaviors and financial results.

Still, these results do not allow us to say, “What causes what.” Although employee engagement may cause double-digit financial growth in companies, it is equally plausible that double-digit-growth companies are fun, exciting places to work, and, as a result, employees are highly engaged. A very recent study addressed that issue directly.

**Do Better Work-Related Attitudes Produce Better Financial Outcomes? Or Is It the Other Way Around?**

Using a massive, longitudinal database that included 2,178 business units in 10 large organizations, Harter et al. (2010) found evidence that supports the causal impact of work-related attitudes on bottom-line financial measures. Evidence to support the reverse causality of bottom-line financial measures on work-related attitudes did exist, but it was weaker.

The researchers used a longitudinal data set of responses to a 12-item questionnaire (the Q12) developed by Gallup, Inc. that measures employee perceptions of work characteristics that engage them. The Q12 assesses 12 employee perceptions of work characteristics and people-related management practices that play a large role in triggering a profitable, productive workplace. Employees respond on a 1–5 Likert-type scale, where 5 is “Extremely Satisfied” and 1 is ”Extremely Dissatisfied.” Here are three sample items (The Gallup Q12, 2010):

- I know what is expected of me at work.
- In the last six months, someone at work has talked to me about my progress.
- The mission/purpose of my company makes me feel that my job is important.

The Q12 is designed to help managers to take action to improve employee engagement at work. Harter et al. (2010) used the methods of meta-analysis (quantitative summaries of results across individual studies) and longitudinal path analysis to test and compare two models that differed in the hypothesized direction of causality for the relationship between employee engagement and business performance. In model one, employee engagement was hypothesized to cause higher employee retention and customer loyalty, which in turn causes financial outcomes, such as increased sales and profits.

In model two, business-unit performance was hypothesized to cause higher employee engagement, which then leads to higher employee retention and customer loyalty. The logic underlying this model is that more successful organizations may provide higher pay, better benefits, and greater job security, all of which boost employee engagement.
Financial measures included business-unit sales (revenues) and profit margin. Because revenues and profit margins are highly correlated, the researchers used an equally weighted composite of sales and profits as their measure of financial performance.

As we noted earlier, results strongly supported model one, although there was some support for the proposition that financial success may reinforce overall job satisfaction by leading to better pay, benefits, and job security. In short, positive employee attitudes fuel better financial performance, and better financial performance fuels positive employee attitudes.

Employee Satisfaction-Engagement and Savings in Employee Turnover Costs

As our final example of the relationship of work-related employee attitudes to financial outcomes, consider the experience of SYSCO Corporation, North America’s largest food marketer and distributor (Cascio, 2005). SYSCO developed a model (the value-profit chain) that shows the logical connections between effective management practices and long-term profitability and growth. According to this model, effective management practices drive employee satisfaction and engagement. A satisfied and engaged workforce, in turn, enables a company to pursue excellence in innovation and execution.

The logical proposition is that higher employee satisfaction-engagement drives innovation and execution, which, in turn, enhances customer satisfaction, customer purchasing behavior, and, eventually, long-term profitability and growth. Certainly, management needs to put in place systems, people, technology, and processes that will initiate and sustain innovation and execution—the principal components of an effective value-profit chain. Competitors can easily copy technology and processes, but a highly skilled, committed, and fully engaged workforce is difficult to imitate.

SYSCO’s management model is based on five sets of practices that describe how the company seeks to engage the hearts and minds of employees with its employer brand. It is known as the 5-STAR management model (Carrig & Wright, 2006). The framework is general enough to apply to any type of company structure or business model, and it gives businesses wide discretion in actual implementation. The five principles of the STAR model are as follows:

- Ensuring that leaders offer direction and support
- Strengthening front-line supervisors
- Rewarding performance
- Addressing employees’ quality of life
- Including employees by engaging them and leveraging diversity
To measure the attitudes of its employees, SYSCO developed a 14-item employee satisfaction/engagement survey built around each of the 5-STAR principles. All members of each SYSCO operating company (there are 147 geographically based operating companies operating under the SYSCO umbrella) participate in a comprehensive annual self-assessment and impromptu and informal assessments on an as-needed basis.

Consider just one of the items: “My supervisor removes obstacles so I can do my job better.” A multiyear study of hundreds of knowledge workers in a variety of industries that tracked their day-to-day activities, emotions, and motivations through 120,000 journal entries strongly supports this driver of engagement. The study found that “workers reported feeling most engaged on days when they made headway or received support to overcome obstacles in their jobs” (Fox, 2010). They reported feeling least engaged when they hit brick walls. In short, small dents in work meant as much as large achievements.

At this point you may well be asking yourself, “So what?” It’s nice that SYSCO developed a logical model to guide its management efforts, and it is nice that the company measures each of its operating companies in terms of the satisfaction-engagement of its employees, but does that matter? Is satisfaction/engagement related to important outcomes that senior managers care about? The answer is an unqualified yes. Here is why.

SYSCO assesses the performance of each operating company in terms of balanced-scorecard metrics in four areas: financial, operational, human capital, and customer performance. Scores on the employee satisfaction/engagement survey comprise one element of the human capital metrics, along with measures of productivity (employees per 100,000 cases shipped) and employee retention (among marketing associates, drivers, and night warehouse employees).

The company was able to demonstrate that higher levels of employee satisfaction/engagement produced systematically higher customer loyalty scores, and also higher retention of employees in marketing, as well as among drivers and night warehouse employees. In fact the satisfaction/engagement scores explained 46 percent of the change in pre-tax operating income among the 147 SYSCO operating companies one quarter later. In other words, the satisfaction/engagement scores were a leading indicator of each operating company’s financial performance the following quarter. That is why operating executives pay such careful attention to those scores.

Now consider the financial impact of the management practices that underlie the satisfaction/engagement scores on employee retention. Fully 75% of SYSCO’s operating costs are people related expenses. That implies about $3 billion of expenses every year. SYSCO has about 10,000 marketing associates, and the fully loaded cost of losing one of them through voluntary turnover is about $50,000.

Fully loaded costs of employee turnover include separation, replacement, and training costs (Cascio & Boudreau, 2011). The financial impact of improving their retention
rate from 70% to 80% exceeds $10 million of savings annually, that is, in terms of costs avoided. Over a seven-year period, SYSCO improved its marketing associates’ retention rate from 70% to 82%, for a total opportunity savings of $70 million.

Next, consider delivery associates, who drive SYSCO’s trucks to deliver groceries to its customers. Delivery associates are very critical to SYSCO’s success because they know the customers, who rely on them to get their groceries on time and in good condition. To do this, the company must have the same person going to the same customer on a regular basis. Over the same 7-year period, SYSCO was able to move the retention rate of its delivery associates from about 65% to 85%. The fully loaded hiring loss for delivery associates is about $35,000. That’s almost another $50 million in savings over 7 years.

Finally, the company saved an additional $20 million by improving the retention of night warehouse workers over the same time period. For SYSCO investors, since every $5 million represents a penny per share, that’s about 14 cents per share based on improved retention of marketing associates, 10 cents a share based on improved retention of delivery associates, and 4 cents a share based on improved retention of night-warehouse workers. When was the last time you saw an HR program evaluated in terms of payoffs for investors?

**Conclusion**

The potential of cost-benefit comparisons of employee attitude-behavior relationships is enormous. The examples presented here illustrate that such relationships do exist, they clearly have significant financial implications for operating executives, and they have meaningful, actionable implications for human resource management practices. In short, just because work-related employee attitudes are “intangible” does not mean that they are “unmeasurable.”

Measurement alone, however, is not sufficient to drive real organizational change. The ultimate test is simple: Do the measures improve decisions about talent where they matter most? The first step is to break through the traditional perceptions of many managers that decisions about talent cannot be systematic because talent measures are so “soft.” The examples presented in this article show clearly that such is not the case. Begin with a logical model that shows the connections between work-related employee attitudes and financial outcomes. Then use data, as SYSCO did, to show the powerful linkages in the model. When operating executives can see how data on work-related employee attitudes affect strategic business outcomes that they personally care about, then you can rest assured that the data will drive true strategic change.
References


Wpływ postaw pracowniczych na efektywność organizacji

Streszczenie

Postawy pracowników, takie jak satysfakcja z pracy i zaangażowanie (zarówno commitment, jak i engagement) – są ważne dla funkcjonowania organizacji. Mają wpływ na absencję i fluktuację kadr, na umiejętność pracowników dostosowywanie się do zmian, jakość współpracy z innymi pracownikami, innowacyjność, oraz gotowość do podejmowania działań wykraczających poza formalny zakres obowiązków wynikających z opisu stanowiska pracy. Zagregowane w skali organizacji efekty pozytywnych postaw prowadzą do osiągnięcia przewagi konkurencyjnej – zwiększenia satysfakcji klientów, zyskowności i wartości dla udziałowców. Wyniki ostatnio prowadzonych badań na dużych próbach
Wayne F. Cascio (Ph.D., University of Rochester) holds the Robert H. Reynolds Chair in Global Leadership at the University of Colorado Denver. He has authored or edited 24 books on human resource management, including *Investing in People* (with John Boudreau, 2nd ed., 2011), *Managing Human Resources* (8th ed., 2010), and *Applied Psychology in Human Resource Management* (7th ed., with Herman Aguinis, 2011). He received an honorary doctorate from the University of Geneva (Switzerland) in 2004, and in 2008 he was named by the *Journal of Management* as one of the most influential scholars in management in the past 25 years. In 2010 he received the Michael R. Losey Human Resources Research Award from the Society for Human Resource Management.