



Summary: Turn employee satisfaction into improvement

Conclusion: Employee satisfaction and engagement is positively related to important business outcomes such as customer loyalty, profitability, productivity, turnover, and safety.

Reference: **Business-Unit Level Relationship Between Employee Satisfaction, Employee Engagement, and Business Outcomes: A Meta-Analysis** by James K. Harter, Frank L. Schmidt, and Theodore L. Hayes. 2002. *Journal of Applied Psychology*. Email Chloe Tatney at ctatney@batrushollweg.com for a copy.

Why this Article is Important: It has been documented in numerous articles that human capital is the best driver of profitability in organizations. Therefore, companies should strive to measure the satisfaction and engagement of their greatest resource; their employees. This article differentiates itself from previous satisfaction studies such that it examines the satisfaction relationship at the business-unit level rather than at the individual level, which is more appropriate for examining business outcomes. Many organizations suffer poor business outcomes (i.e., increased turnover, low productivity) simply because they are not engaging their employees. Harter et al. demonstrate, by examining nearly 8,000 business units, the existence of a significant relationship between employee satisfaction and engagement and business outcomes. We have included a table that displays all the industries captured in this study.

Major Findings: This article concludes that employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations and these correlations generalize across companies. The business outcomes that are predicted by satisfaction and engagement are customer satisfaction, productivity, profit, employee turnover, and accidents. This study also found that the effectiveness of a short (12-item) measure was comparable to the more broadly defined overall satisfaction measures.

What does it mean to you?

- a. Professionally designed employee satisfaction and/or engagement surveys should be employed in your organization.
- b. Questions included on these instruments should be things that managers can act on to improve their management practices.
- c. Managers should actually utilize the information provided in these surveys as a means for development and improvement.
- d. Because of the documented effect on important business outcomes, professionally developed employee satisfaction and/or engagement surveys can result in a significant return on investment.



Number of Companies, Business Units, and Respondents Included in the Study

Industry Type	Companies	Units	Respondents
Financial			
Depository	3	1,163	8,656
Security	2	69	2,606
Manufacturing			
Food	2	35	2,781
Instrument	1	8	164
Paper	1	118	35,479
Printing	1	14	420
Retail			
Automotive	1	80	1,384
Building materials	1	42	4,340
Eating	5	316	16,999
Entertainment	1	106	1,051
Food stores	2	184	16,483
Furniture	1	275	28,175
Miscellaneous	1	634	14,753
Services			
Business	1	20	600
Education	3	200	1,747
Health	2	334	13,675
Hotels	3	167	6,549
Recreations	1	14	288
Transportation and public utilities			
Trucking	1	96	6,213
Communication	2	4,039	35,964
Electrical	1	25	187