



Key findings on sustainable success.

2023 Study on Engagement, Leadership and Flow

Part 1 of 2

THEMORPHINGGROUP®



Introduction

Employees' Engagement has been under study for several decades; most companies measure it and launch initiatives aimed at improving it, though not always with great success. Frequently the reason behind such failing efforts has to do with the way Engagement is measured and understood.

Satisfaction does not equate to engagement, and importance is also not equal to relevance. The following study explores key findings researched across diverse industries, we obtained data of three regions: USA, Europe, and Latin America. Data from 2022-2023 was analyzed to review how our current environment has shifted, and its influence in the connection between employees and companies.

About this study

Most people understand that having engaged and thriving employees is key for the company's long-term sustainable success. It is quite common to assume that specific initiatives need to be put in place to create such an emotional connection. Yet, what frustrates and alienates employees has more to do with variables that are engrained in their daily activities: Purpose, Culture, Growth and Leadership.

At The Morphing Group, we have analyzed these variables in detail for several years and have helped companies address the underlying causes that usually are missed, due to misleading information or biased interpretations. This study also focuses on several changes affecting today's workforce, whether it is shifting demographics, talent market conditions, cultural differences, generational clashes, or employees' expectations; all of which have shifted significantly over the past decade.

You might relate to some or all the findings in this study, but every company has a different composition, different reality, and different context. We do not suggest that you use this information to act immediately on possible solutions, rather, the recommendation is to proceed with a cautious analysis to verify if your company is suffering from the same root causes, which we have detected can provoke a decline in employees' engagement.

Understanding Engagement

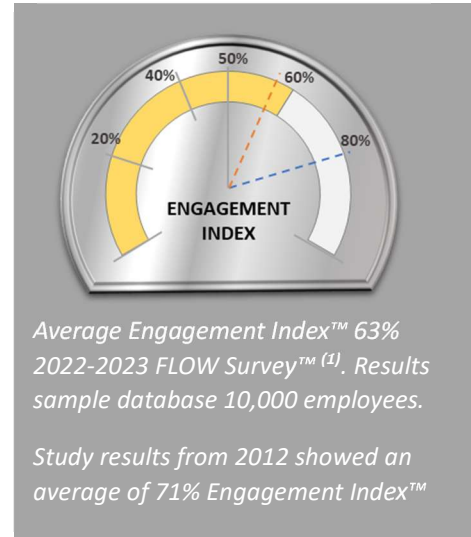
Having a single measurement for engagement, while easier to digest, lacks the level of detail necessary to make the right decisions when dealing with employee's emotions. Measuring engagement requires three different dimensions to dissect it:

- **Positive Perception:** It refers to the opinion that an employee has about the organization, which is influenced by an alignment with the company's values, leadership, culture, and purpose.
- **Desire to Belong:** Even if an employee has a positive perception of the company, she might not be entirely connected with the organization to believe in a long-term relationship. This dimension is commonly affected by how the employee perceives his future in the company.
- **Will to Add Value:** This is the core element of what differentiates engagement from satisfaction. When it is present, innovation thrives, collaboration flows, and the company can quickly adapt to the changing environment.

Engagement results.

Our most recent analysis shows a drop of almost 9 points over the past decade. It is easy to assume that current economic conditions and the experience of the COVID pandemic had an influence; deeper analysis shows that there are companies who were able to navigate such challenges more successfully than others.

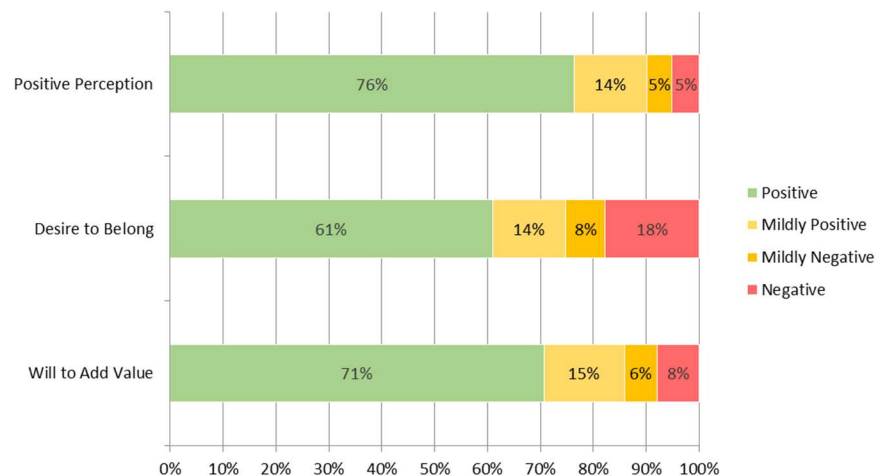
To better understand which dimensions of engagement are being affected more severely, it is critical to address the composition of the results, and which factors have a higher relevance on influencing them.



Engagement Dimensions

The dimension that shows a higher degree of decay is the Desire to Belong. This corroborates several investigations ^(2, 3, 4) into the great resignation and the current employee's state of mind. There are additional findings that require further understanding:

A) 17% of the personnel who have a high desire to belong have little to no interest in adding value. This is known as the **Comfort Index** and refers to employees who are in the comfort zone of keeping their job, but not willing to give the extra mile.



B) 11% of the personnel who have a low desire to belong have high will to add value. It is known as the **Frustration Index**, and can be understood as: people who are frustrated with the company but could add value if their concerns are addressed.

How many of your employees are in for a comfortable ride? And how many of them are in burnout and frustrated? If you know these indexes, you can more accurately address what to work on.

1. FLOW Survey™ is a proprietary tool of [The Morphing Group® LLC](#) that measures Engagement, Leadership, and the Fluidity Index™ of companies. Using a Relevance Model, it allows companies to ascertain a roadmap to increase Engagement.
2. Anthony Klotz, Mark C. Bolino, and Patrick M. Oliva. (2021) "The Decline of Attachment in the Great Resignation: Implications for Employee Retention." Journal of Applied Psychology.
3. Mackey, J. D. & Ellenbeck, A. (2021) "Employee Voice in the Great Resignation: A Study of Employee Intent to Leave Organizations in the COVID-19 Pandemic." Journal of Organizational Behavior.
4. Franck, C., Kim, H., & Ferraro, G. (2022) "The Great Resignation: Implications for organizations and employees." Business Horizons.

Main factors affecting Engagement.

When analyzing the relevance of all factors measured in the study, four of them stand out as the main culprits to address in most organizations. It is important to understand that, rather than HR initiatives, these factors should be considered companywide issues that should be addressed as strategic matters to discuss and solve at the highest level of the organization.

Lack of a clear, compelling Purpose.

Companies assume that because there is a company vision or purpose written across the office walls it will resonate with employees. Even if that is the case, what matters for employees' engagement is how everyone can relate to that purpose.

This means that the purpose must be translated to each function and role, so that people can then find meaning in their own work and believe it has a real impact. The study shows a significant difference in engagement among those who believe they are aligned with the company's purpose and feel they are adding value with their contributions.

FINDING 1

EMPLOYEES THAT UNDERSTAND THEIR POSITION'S PURPOSE IN THE GREATER SCHEME OF THE COMPANY ARE **4.3X** MORE LIKELY TO BE HIGHLY ENGAGED AND ADD VALUE.



FINDING 2

EMPLOYEES THAT PERCEIVE THE COMPANY IS ALLOWING THEM TO **EXPERIMENT, INNOVATE, GROW, AND LEARN** NEW SKILLS, ARE **2.5X MORE ENGAGED** THAN THOSE WHO FEEL STUCK IN THEIR POSITION.

Growth is not only about promotions.

Employees that perceive they are allowed to innovate, share ideas, and feel listened are twice as engaged as those who believe their opinions are not considered.

Growth is paramount in any person's self-esteem. But it doesn't mean promoting everyone, it is mostly related to the possibility of learning and developing new skills and being challenged. When employees feel they are learning, it adds value to their personal development and sense of accomplishment, mastery is a great motivator of engagement. Promotions also have an impact, but the difference is 1.5X more engagement.



Being congruent builds trust & engagement.

Employees have more access to information that allows them to compare environments. In the age of social media, little can a company do to hide its impact in society. Companies that only focus on getting awards and recognitions without being congruent with the culture they are fostering among employees, will find that employees are becoming more cynical and challenging of such incongruencies.

The study shows that the level of congruence with the company's values and how the leadership team promotes them has a huge influence in employees' engagement. Review your day-to-day decisions and be certain that whatever you are communicating is enforced and rewarded accordingly to increase their confidence and commitment.

FINDING 3

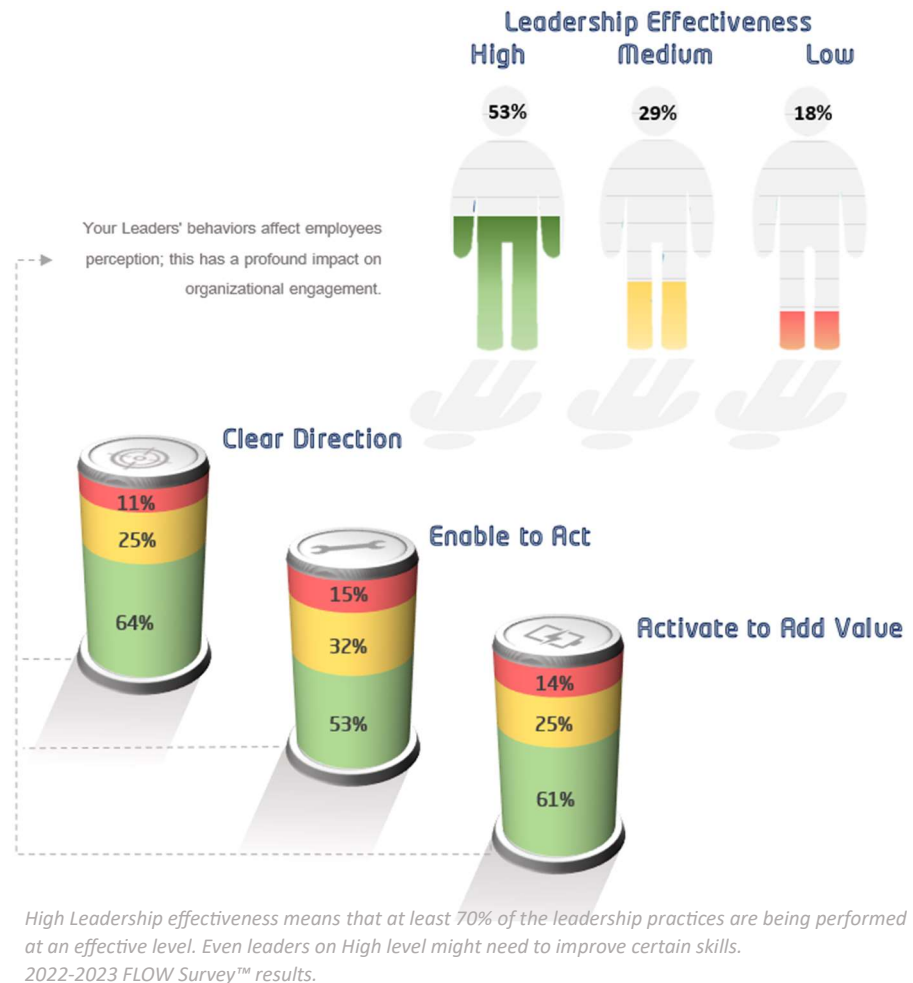
WHEN THE COMPANY'S ACTIONS ARE CONGRUENT WITH ITS **VALUES**, EMPLOYEES ARE **2X MORE LIKELY TO BE ENGAGED**. EVERY DECISION, ACTION, COMMUNICATION OR EFFORT, MUST BE ALIGNED WITH THE COMPANY'S VALUES AND DESIRED CULTURE.

You need Effective Leaders to achieve all of the above.

One of the findings that we have identified as a constant is the impact of effective leadership. If any of the above-mentioned issues are to be resolved, the only way to achieve it in a sustainable way is to work through your leaders.

Leadership should be measured by the practices of your leaders, not only their business results. It is not a matter of personality, it's a matter of behavior, and those can and should be developed if you are to change your workforce's engagement.

If you want people to understand their purpose, if you want them to be exposed to new learning opportunities, if you want your values to be observed by your employees, then you must make sure that your leaders are up to the task.



Half of the leaders in the study were considered either mediocre or ineffective. It is impossible for a company to be extraordinary at executing a strategy through its people when so many leaders are not prepared to perform their role effectively:

- **Clear Direction:** Everybody must understand what is expected of them, how they add value and what success looks like. Without direction, what will your employees be engaged with?
- **Enable to Act:** This has everything to do with employee's growth, it measures the leadership's effectiveness in developing their team, coaching them, providing useful feedback, exposing them to learning opportunities. As we discussed before, it is one of the key elements to get people engaged.
- **Activate to Add Value:** Every human being needs recognition, celebration of their successes, and most importantly, they need to feel considered. You can't be engaged if you are not included.



The study shows that there is a direct correlation between leadership and engagement, this has been a constant in all the studies with every company we have worked with. The chart above illustrates that if you organize your leaders by their effectiveness, from worst to best, and measure the engagement of their direct reports, the more ineffective a leader is, the less engaged their population gets. Lousy leadership has a profound impact on the engagement of personnel.

FINDING 4

LOW AND AVERAGE LEADERSHIP EFFECTIVENESS ACCOUNTS FOR AT LEAST 25% LOSS OF ENGAGEMENT IN COMPANIES.

DEVELOPING YOUR LEADERS IS STILL THE #1 WAY TO IMPROVE ENGAGEMENT.

Conclusions/Implications

Every company is different and has its own reality and environment to deal with. The study shows key factors we have found to be common denominators influencing the drop in engagement; in the studies we perform, at least 80% of companies struggle with two or more of the ones mentioned.

By avoiding the typical biases of engagement measurement, and performing a relevance model, you can identify which factors are having the most impact and align your efforts in an efficient way, to ensure long-term business sustainability.

In the second part of our study, we will address organizational Flow, which is the company's ability to face agile transformation, and key factors that influence it.



The Morphing Group®

We achieve sustainable transformation by aligning and enabling your company's purpose, strategy, leadership, and talent.

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