

Employee Engagement Does Not Cause Performance

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A Research-Based Opinion Series

We know from decades of research and practice that performance leads to job satisfaction. When people are productive, accomplish their objectives, get good feedback on their performance, and are rewarded for being productive, they usually are satisfied with their jobs.

The counter argument – employee engagement causes performance – makes intuitive sense yet does not necessarily hold empirically. The easiest way to make most employees happy is to keep their compensation the same and cut their responsibilities in half. However, doing so would completely destroy profits. Thus employee engagement does not always “cause” improved organizational performance.

Employee engagement and business results are statistically related because they are correlated: yet the causation usually runs from better business results to engagement, not the other way around. Even when you can show statistically that increased engagement in one year precedes increased business performance in the following year, as Harter, Schmidt and Hayes (2002) showed using the Gallup data, that does not prove causation.

Increases in employee engagement can appear to statistically precede increases in business performance because both trend up together. When performance is going well, engagement tends to improve, which helps support further increases in business performance, etc. The opposite also holds: falling business performance causes morale to drop, which hinders improvements in performance, which further hurts morale, etc.

Thus, testing whether engagement precedes business performance can yield a statistically significant result. Yet setting up the statistical models this way cannot be justified across a broad set of organizations, work settings, and roles. It creates a false positive result: the statistics appear to confirm the hypothesis that engagement causes performance, yet they equally well support the conclusion that the relationship goes the other way around.

Consider a counter-example: when was the last time employee engagement scores fell in the year before business results deteriorated? If employee engagement was such a strong driver of business performance we would have more documented cases than would fill up an encyclopedia. Instead, virtually every time, business results fall first, and that causes morale to fall. People feel worse because the business is not achieving the goals established by the leaders. In addition, the organization stops doing all the “discretionary” things to boost employee morale. So you can’t assume that changes in employee engagement necessarily predate changes in business performance, even when there appears to be a lagged statistical relationship.

There are some settings where more engaged employees can lead to increased sales and profitability. Employees in direct customer facing roles can directly affect how customers feel: engaged employees can induce customers to spend more or feel better about the customer service they receive, increasing customer retention.

Yet even in organizations that rely on retail sales and customer service as core parts of their business model, only the employees in direct customer interface roles can sway customers with their own engagement. All the other roles in the organization contribute to organizational performance by doing their jobs, even if they are only “just satisfied” without being “highly engaged.” Organizations often can staff back office roles with less interpersonally positive and engaging people without hurting customer satisfaction because they are a step or two removed from the direct customer interface.

*For greater details on the relationship between engagement and performance and the pros and cons of measuring employee engagement, see Dr. Levenson’s forthcoming book *Employee Surveys That Work: Improving Design, Use and Organizational Impact*.*

the view from ceo

