

GALLUP® GREAT WORKPLACE AWARDS

SUMMIT OVERVIEW

June 11–12, 2007

The Gallup Building, Washington, D.C.

Promoting employee engagement is something leaders of the world's most engaged and productive workplaces will say they "just do." But they "just do it" every moment and every day.

Employee engagement is woven into the fabric of the 12 workplace cultures that won the 2007 Gallup Great Workplace Awards. At the Gallup Great Workplace Summit in June, the winners were celebrated for their extraordinary ability to create engaged workplaces and they, in turn, shared how engagement has become part of daily conversation and ultimately affects their business outcomes.



2007

WORKPLACE WINNERS

The Gallup Great Workplace Awards, which premiered in 2007, are conferred based on a combination of both quantitative and qualitative criteria: Q¹² employee engagement results, their ability to link engagement to their business outcomes, and organization-wide initiatives, action plans, and tools they created to promote engagement. Gallup compared applicants' engagement results across a workplace research database composed of more than 5 million respondents and more than 437,000 work teams in more than 120 countries and a panel of workplace experts reviewed applicants' best-practice portfolios and selected the winners.

Of the 278 unique clients that Gallup worked with in 2006, only 12 were honored as the most engaged and best-performing organizations in the world. These 12 winners, who are responsible for the engagement of more than 400,000 people around the world, were presented with their awards on the first night of the Great Workplace Summit at Gallup's world headquarters in Washington, D.C.:

- ABC Supply Co., Inc.
- Starbucks Corporation
- B&Q
- St. Joseph Health System
- Blue Care Network of Michigan
- Stryker
- Campbell Soup Company
- The Park Hotels
- Hendrick Health System
- Wells Fargo
- Marriott Vacation Club International
- Winegardner & Hammons, Inc.

"Most engaged in the world" is not hyperbole with these 12 organizations. Award-winners' employees are *nearly twice* as likely as all other respondents in our database to strongly agree that they had received recognition for good work, their opinions seem to count, someone at work encourages their development, their coworkers are committed to quality work, and their company's mission or purpose makes them feel their job is important.

But these numbers mean nothing unless they are tied to measurable business outcomes. Award winners' missions, goals, and desired business outcomes were as different as the natures of their companies, yet they all shared a common bond in clearly connecting engaged employees and success. For some, this success manifested in a more than 75% slower attrition rate among more engaged employees, and others, hundreds of millions of dollars more profitability among the most engaged teams.

GREAT WORKPLACES AT WORK

Behind every great engaged workplace is a great engagement story. The Great Workplace Summit gave winners and summit participants forums to exchange chapters from their success stories -- organization-wide engagement initiatives, tools, and action plans that work -- and impart on how they've helped other individual leaders and managers drive engagement.

PANEL DISCUSSION: ORGANIZATION-WIDE INITIATIVES THAT WORK

The questions that panelists tackled vex companies as they try to implement and sustain their engagement initiatives. How do organizations hold managers -- the linchpins in workplace engagement -- accountable for their teams' engagement? How do companies keep employees engaged with engagement?

None of the answers to these questions is easy, but panelists said their companies are finding them. Engagement is not just about making people feel good, panelists said, it needs "teeth" to hold managers and work teams accountable. For some organizations, these "teeth" are education, compensation, and career consequences for managers who do or don't deliver.

Covenant Health System's approach has "serious teeth," said Tyneal Buckner, the sales and marketing manager for Covenant, which is part of the St. Joseph Health System. "They [leaders of bottom quartile workgroups] have essentially two and three years to find themselves in a better place," she said. "If they do not find themselves in a better place and commit themselves fully . . . then we re-evaluate their leadership role within our system." But, Buckner added, they've had phenomenal success with turning managers' struggles with engagement into triumph through manager strengths training, support groups, and retreats.

Weaving and marrying engagement into all aspects of the organization and consistent pursuit of engagement has helped Stryker keep its engaged employees stay engaged with the concept throughout the 11 years it has been using Gallup's Q¹². At Stryker, engagement "is just something you do until it gets to be a part of the conversation on a daily basis," said Donna Lewandowski, director of talent management.

Other panelists said trying different approaches, introducing new ideas that are relevant to engagement challenges, and maintaining a fun, creative approach is key to keeping engagement initiatives fresh for their employees.

PANEL DISCUSSION: LEADING LEADERS

If organizations don't have the right leaders in the right places and they don't buy into the engagement concept, as one panelist said, then it doesn't really matter what you do. Further complicating this situation, what do companies do when really strong senior leaders in the organization have really bad engagement scores and how do they re-engage employees who have been led by a bad leader? Panelists offered several strategies, based on their experiences, on dealing with these often delicate situations.

Blue Care Network of Michigan employs a few different strategies in dealing with their top leadership, including playing to their Achiever talents, setting improving engagement as a goal, and making them more approachable to employees. At one time, said Sandy Boozer, vice president of human resources, the COO had the lowest engagement scores overall, and the CFO had low engagement scores, as well. "When they [the senior leaders] began to know people on a first name basis, it all changed," she said. "Our COO is now our CEO, and when she was appointed, she received a standing ovation from our employees."

Healing the trust that bad leaders break really requires time and attention, said Carol Aaron, vice president at St. Joseph Health System, and getting the right leader in place is essential. In her experience, acting quickly in making the leadership change and taking accountability and ownership for the mistake as an organization, improved the situation, but they were also fortunate to find another leader for the division who would go on to become one of their top five great managers.

BEYOND THE 12 ELEMENTS OF GREAT MANAGING

In smaller breakout sessions at the summit, Gallup experts explored workplace topics such as innovation, leadership, and diversity and inclusiveness.

Innovation is top-of-mind for most senior executives, but finding creative people "the dreamers" and figuring

out how to manage them *and* engage them, presents an additional challenge. Gallup Chief Marketing Officer Larry Emond, delved into where innovators and the best sources for ideas come from, whether today's workplace cultures can tolerate people who come to work in flip-flops, and whether today's workplace cultures are where dreamers want to go.

In the session on leadership, Gallup Global Practice Leader Tom Rath challenged participants to think about how they, as leaders, create enthusiasm about their organizations' emotional and financial climate and about the future. Summit participants offered that employees can't get excited about the future if they don't know what it is. Articulating a company's vision and openness about its financial situation are key to getting people fired up and motivated to take ownership.

BOTTOM LINE

The Gallup Workplace Summit closed with presentations from B&Q, ABC Supply, and Marriott Vacation Club International. Client leaders from each of these award-winning companies shared the improved business results -- in profitability, safety, customer metrics, productivity, and retention -- they've achieved from building an engaged workplace.

B&Q

B&Q is the biggest home improvement retailer in Europe and the third largest in the world with more than 60 stores opened internationally. B&Q employs more than 39,000 and operates nearly 400 stores.

Three years ago, B&Q's sales were strong, profit was on track to keep growing, they were paying out huge bonuses, and they were the undisputed leader in the do-it-yourself market. But underneath the surface, something was terribly wrong. The company's overall engagement scores started to decline, indicating employees weren't confident in the company's direction and knew something was amiss.

Then, the company hit a brick wall. The housing market started to decline and the competition got its act together. In one year, the company went from \$400 million profit to about a break-even. B&Q changed its leadership, closed 21 of its stores, and cut salaries. Before the board change, the company was spending 26% of its payroll -- \$250 million -- on disengaged employees.

B&Q came up with a simple, compelling new strategy: sell, reinvent, and change. The company went back to its values and drove all their efforts from that foundation. They sent 38,000 employees through educational sessions about the journey they needed to go on; they upgraded their internal communications, tying everything back to selling, reinventing, and changing; they started talking and listening; and they made leadership accountable for their engagement scores.

Even though the company was undergoing change, closing stores, and streamlining management, engagement scores went up 0.58 in 18 months, from a GrandMean of 3.58 to 4.16. Customer satisfaction has increased exponentially from 60% in 2005 to 80% in 2006, and sales went from -8.8% to +1.4. And, as of 2006, the company was spending \$80 million on disengaged employees -- \$170 million less than two years before.

MARRIOTT VACATION CLUB INTERNATIONAL

Marriott Vacation Club International employs more than 10,000 individuals, operates more than 40 time-share resort properties with more than 8,000 villas in the United States and five other countries. MVCI became the first branded hospitality company to enter the time-share industry in 1984 and time-share owners now number more than 312,000 worldwide.

Every Marriott employee in the whole world can recite the Marriott credo: "Take care of your employees, and they'll take care of your customers." MVCI believes the notion of customer and associate engagement and how they move concurrently with the ability to sustain margins and increase growth is their story.

Roy West, vice president of customer acquisition and talent development, said MVCI is in hot pursuit of a world-class designation and the company is "knocking on the door" of the 90th percentile of Gallup's database: 7.1 associates in 10 are engaged, 2.4 in 10 are not engaged, and 0.5 in 10 are actively disengaged. Nearly 8 in 10 of the workgroups across the company are in the 75th percentile and considered high-performing, and more than 4 in 10 are in the 95th percentile.

Engagement scores at MVCI clearly correlate with each of the following business outcomes: profitability, safety, customer metrics, productivity, and retention. For example, MVCI and Gallup compared the financial performance of teams at ancillary businesses (pools,

bars and grills, and restaurants on resort property) in the top half of engagement and the bottom half. Teams in the top half produced a profit 67% above the norm, while teams in the bottom half produced 67% below -- which translates into hundreds of thousands of dollars.

MVCI then did the same comparison with their resort sales: Resorts in the top half of engagement met 98% of their margin requirement, compared with 71% for resorts in the bottom half -- this time, engagement represented \$320 million in one year.

ABC SUPPLY CO., INC.

ABC Supply is the largest wholesale distributor of roofing in the United States and one of the nation's largest distributors of siding, windows, and other exterior building products. ABC Supply employs 5,800 individuals and operates more than 350 locations in 45 states. Now celebrating its 25th anniversary, ABC Supply Co., Inc., began with a single, simple dream: Take care of contractors better than any other distributor of exterior building products.

ABC Supply is an "employee first" company, which President David Luck said are not just words to them, they actually try to practice this. They believe that if they drive results for the associate, they'll drive results for the customer and drive results for the company.

When ABC Supply first started working with Gallup in 2003, the company's ratio of engaged to actively disengaged employees -- 1.57:1 -- was close to the national average for U.S. workers. Four years later, their engaged-to-actively disengaged ratio is nearly 6:1 and the company has gone from being in the 50th percentile for national chains to the 77th percentile.

During this four-year period, the company added 88 branches, net income more than tripled from \$67 million to \$200 million, and net sales more than doubled, nearing \$3 billion. But, Luck said, they may have just been lucky, the housing market was good -- someone still needed show him that this "stuff" [Q¹² and CE¹¹⁸] is what drove these results.

Luck got his proof. At ABC Supply, there are strong correlations between employee engagement and sales per employee, net income per branch, and turnover and retention. Looking at turnover and retention, the most engaged employees have a far lower rate of attrition (8%) than their less engaged peers (16%).