Managing for High Performance and Retention
An HR Toolkit for Supporting the Line Manager

Purpose of this Report
To achieve business goals, managers must ensure employees perform at high levels. Certain of their impact as managers—but uncertain how to maximize the performance and retention of their employees—managers struggle with the “softer-side” of their jobs. This report, based on extensive analysis of data from more than 90,000 employees in 135 organizations from around the world, presents 10 imperatives for line managers to maximize employee performance and retention.

Key Questions Addressed
Why do employees succeed or fail on the job?
What should line managers do to maximize employee performance and retention?

Key Audience
HR Leaders Responsible for Manager Development

Please note that the CEB program names referenced in this document have changed since the time of publication.
Note to Members
This project was researched and written to fulfill the research requests of several members of the Corporate Executive Board and as a result may not satisfy the information needs of all member companies. The Corporate Executive Board encourages members who have additional questions about this topic to contact the Board staff for further discussion. Descriptions or viewpoints contained herein regarding organizations profiled in this report do not necessarily reflect the policies or viewpoints of those organizations.

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- Further Reading
- Overview of Standard Research Methodology
- Surveyed Organizations
- Corporate Leadership Council Web Overview
- Online Resources: Line Manager and Senior Executive Toolkits
Across the past several years the Corporate Leadership Council has partnered with the membership in pursuit of answers to some of the most pressing challenges facing HR: What motivates employees to work hard on behalf of the organization? What activities promote higher workforce performance? What actions drive improvement in employee retention?

The answers to these questions consistently point to the importance of line managers, who in fact have a greater influence on employee outcomes—namely, performance and retention—than almost any other organizational characteristic. Based on this insight, the Council has written *Managing for High Performance and Retention* for both line managers and the HR executives responsible for line-manager effectiveness.

This report provides both groups with an integrated set of insights drawn from past Council work on achieving high performance and retention through the effective management of people. Accordingly, this report combines key findings from previous Council research on performance management, employee engagement, and high-potential employee development.

We hope that this initiative will help managers and member organizations deliver better performance through their employees. Of course, the findings presented herein do not address every challenge associated with managing people. Members are therefore encouraged to contact the Council’s research team for further assistance. As always, we invite and look forward to your feedback.

With our continued appreciation,

Corporate Leadership Council
Washington, D.C., and London
Winter 2006
Managing for High Performance and Retention in Context

A Note for Managers

Given intense pressures to achieve business results, managers face substantial demands on their time. Most managers recognize, of course, that their employees serve a critical role in meeting business objectives, though the most effective way to leverage their effort in pursuit of these objectives is often far from obvious. Given the sheer number of activities that a manager could pursue in managing employees, what are the most effective? Why do some people management strategies yield stronger results than others?

This report, written specifically for the line manager, presents 10 imperatives to maximize employee performance. The report first examines why employees succeed (and fail), as well as why they choose to stay with organizations. It then explores the manager’s two primary roles as both an enabler of performance and as a critical link between the employee and the organization, and provides key imperatives for successfully fulfilling each of these roles.

About the Corporate Leadership Council

The Corporate Leadership Council provides quantitative research, best practices, and executive education to the largest global network of HR executives. The Council focuses on topics that are most critical for senior HR executives: performance management, leadership development and succession management, employee engagement, diversity, HR service delivery, and executive compensation, among other topics. Members have unlimited access to the Council’s proprietary quantitative databases, best practices case studies, on-demand customized research, interactive member networking events, and online benchmarking data, issue-specific resource centers, and diagnostic tools and templates. Managers interested in learning more about the Council are encouraged to speak with their designated HR professional or visit the Council’s Web site at www.clc.executiveboard.com.
Please note that the CEB program names referenced in this document have changed since the time of publication.
Executive Summary

MANAGING FOR HIGH PERFORMANCE AND RETENTION

Managers Disproportionately Impact Employee Performance and Retention—Line managers directly control a majority of the most effective drivers of employee performance and retention, with impacts as high as 39%. The effectiveness of an organization’s people managers, accordingly, plays a critical role in organizational success.

The Two Roles of the People Manager—Managers ultimately impact employee performance through two roles. Managers first impact performance through direct management of the employee’s work objectives, such as assigning projects or providing feedback. Second, managers have a broader influence on the environment in which employees carry out their work, since they are the primary link between their employees and the organization. Managers can thereby improve performance through management of the employee’s relationship with the organization. This “conduit” role takes many forms, such as connecting the employee with the organization’s larger purpose or demonstrating to employees that the organization is committed to their development.

Regardless of the role, the manager’s actions have two simultaneous impacts on performance. First, actions can directly enable performance, such as providing employees with job-relevant information, experiences, or resources. But a manager’s actions will also impact the employee’s attitudes, particularly commitment to their jobs, teams, managers, and organizations. Commitment, in turn, drives discretionary effort—how hard employees work and, therefore, how well they perform—and how long they intend to stay with the organization.

Based on extensive research into the interactions of these impacts on employee performance and engagement, the Council presents the top 10 imperatives for managing for high performance and retention across the manager’s two roles.

Role #1: Managing Employee Work and Performance

1. Provide Fair and Accurate Informal Feedback—Fair and accurate informal feedback from a knowledgeable source—in particular the line manager—is the most effective performance management strategy available to the organization.

2. Emphasize Employee Strengths in Performance Reviews—Managers should emphasize the positive during formal reviews while grounding discussions of weaknesses on specific suggestions for improvement.

3. Clarify Performance Expectations—A manager’s most important role in the formal performance management system is to provide specific, outcome-focused clarification of performance expectations.

4. Leverage Employee “Fit”—Managers should carefully match employees to jobs; employees who understand and enjoy their work significantly outperform those who do not.

5. Provide Solutions to Day-to-Day Challenges—One of the most important day-to-day impacts a manager has on performance is through helping employees find tangible, immediate solutions to specific work challenges.

Role #2: Managing the Employee’s Relationship with the Organization

6. Amplify the Good, Filter the Bad—The manager’s unique role as “conduit” requires the manager to strengthen employee engagement by amplifying organizational traits that positively impact performance and filtering those with negative effects.

7. Connect Employees with the Organization and Its Success—Managers must take time to “explain the big picture”; employees who feel connected to the organization and see how their effort contributes to its success engage with the organization and do their best work.

8. Instill a Performance Culture—Managers who promote open communication, flexibility, and innovation and risk taking create an environment that fosters employee engagement and enables employees to perform at their best.

9. Connect Employees with Talented Coworkers—Helping employees build a high-quality network of colleagues is one of the manager’s most important roles, as exposure to talented coworkers develops employees in nearly all aspects relevant for high performance.

10. Demonstrate a “Credible Commitment” to Employee Development—Engagement grows in a climate of organizational commitment to employee development, requiring managers to implement development plans with the resources and support necessary to credibly convince employees of the organization’s commitment to their development.
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Chapter I
Understanding the Drivers of Employee Performance and Retention

- Managers Drive Employee Performance and Retention
- The Manager’s Influence on Success (and Failure): Two Sources of Performance Variation
- The Manager’s Role as “Conduit”
- The Dual Role of the Manager
- Ten Imperatives to Maximize Performance and Retention
The Business Case for Effective People Management

MANAGERS DRIVE EMPLOYEE PERFORMANCE AND RETENTION

Line managers directly control a majority of the most effective drivers of employee performance and retention

Impact of Top Performance Drivers*

Line managers directly influence a disproportionate share of the most effective drivers of high performance. The two strongest manager-influenced drivers, for instance, are:
- Providing fair and accurate informal feedback: 39% impact on performance
- Clarifying employee performance expectations: 36% impact on performance

Impact of Top Retention Drivers

Line managers also control a majority of the most powerful drivers of employee intent to stay with the organization. The two strongest manager-influenced drivers, for instance, are:
- Facilitating internal communication: 38% impact on intent to stay
- Advising on career development: 37% impact on intent to stay

* Throughout this report, the term “driver” refers to strategies, actions, experiences, or characteristics that can impact a given outcome.

Please note that the CEB program names referenced in this document have changed since the time of publication.
The Manager’s Influence on Success (and Failure):
Two Sources of Performance Variation

Direct performance enablers account for 57% of performance improvement, but employee attitudes toward their work, team, manager, and the organization explain 43% of performance improvements.

Key Takeaways

Two Sources Impact Employee Performance—Only 57% of performance improvements come from actions taken to directly enable performance, such as providing employees with job-relevant information. Employee attitudes account for the remaining 43% of their performance as they grow more or less committed to their jobs, teams, managers, and the organization—and, as a result, perform better or worse. Managers must note, however, that their efforts to improve performance through either direct enablers or attitudes first require that employees possess ability equal to the demands of their jobs.

The Attitudes of Performance Begin with Rational and Emotional Commitment—The 43% of employee performance that results from employee attitudes originates from two sources: rational and emotional commitment. Rational commitment forms when employees believe they will personally benefit—financially, developmentally, or professionally—from their teams, managers, or organizations. Employees commit emotionally by believing in, valuing, or enjoying their jobs, teams, managers, or organizations.

Source: Corporate Leadership Council research.
Chapter I: Understanding the Drivers of Employee Performance and Retention

The Manager’s Influence on Employee Commitment

The Manager’s Role as “Conduit”

Managers not only generate commitment to themselves but also play a crucial role in building employee commitment to day-to-day work, teams, and the organization.

Two Commitment “Types”

- Rational Commitment
- Emotional Commitment

Four Focal Points of Commitment

While employees can rationally and emotionally commit to four “focal points”...

1. Day-to-day work
2. Teams
3. Direct managers
4. The organization

...the unique role of “conduit” enables managers to strengthen employee commitment to other foci.

The Outputs of Commitment: Discretionary Effort and Intent to Leave

- Discretionary Effort: An employee’s willingness to go “above and beyond” the call of duty
- Intent to Stay: An employee’s desire to stay with the organization

Key Takeaways

Managing Employee Attitudes Drives Performance and Retention—Rational and emotional commitment increase employee performance and retention through their impact on employee discretionary effort and intent to stay with the organization. As employees develop commitment to their work, managers, teams, and organizations, they in turn exhibit greater levels of effort in ways that boost performance, and their desire to stay with the organization increases as they recognize how it can meet their financial, developmental, and professional needs.

The Manager Acts as a “Conduit” for Employee Commitment—Managers, through their role as the primary connection between the employee and the organization, directly shape an employee’s perception of teams, the organization, and their job. Through this influence, managers magnify (or diminish) employee commitment, thereby serving as a critical leverage point for maximizing the impact that teams, the organization, and day-to-day work have on employee performance and retention.

Source: Corporate Leadership Council research.
The Dual Role of the Manager

Successful managers not only manage their direct working relationship with employees but also act as a “conduit” to influence employee commitment to the organization, team, and their job.

The Two Responsibilities of the Effective People Manager

Role #1: Managing Employee Work and Performance

- Effective managers first ensure that their direct interactions with employees enable high performance, focusing on activities such as providing accurate and prescriptive informal feedback, clarifying performance expectations, or providing solutions to day-to-day challenges. Such activities not only directly drive performance but also strengthen performance through improved rational and emotional commitment, as employees develop stronger working relationships with their managers and recognize how manager actions directly serve their developmental, career, and financial interests.

Role #2: Managing the Employee's Relationship with the Organization

- With a high-impact performance relationship in place with their employees, effective managers then focus on their role as the “conduit” for strengthening employee commitment to the broader organization. Whenever managers amplify positive aspects of the organization, connect employees to talented colleagues, or facilitate open communication across business silos, they in turn strengthen employee commitment to their work, colleagues, and broader organization, thereby boosting performance and retention.

Source: Corporate Leadership Council research.
Ten Imperatives to Maximize Performance and Retention

Managers obtain greater employee performance and retention through both directly managing employee performance and managing the employee’s relationship with the broader organization.

Imperatives for Maximizing Employee Performance and Retention

1. Provide Fair and Accurate Informal Feedback
2. Emphasize Employee Strengths in Performance Reviews
3. Clarify Performance Expectations
4. Leverage Employee “Fit”
5. Provide Solutions to Day-to-Day Challenges
6. Amplify the Good, Filter the Bad
7. Connect Employees with the Organization and Its Success
8. Instill a Performance Culture: Communication, Flexibility, and Innovation and Risk Taking
9. Connect Employees with Talented Coworkers
10. Demonstrate a “Credible Commitment” to Employee Development

Role #1: Managing Employee Work and Performance
Managers must first center their day-to-day employee interactions on activities with the highest impacts on performance and engagement.

Role #2: Managing the Employee’s Relationship with the Organization
To ensure maximum performance and retention, managers must build employee engagement with the broader organization, thereby increasing employee discretionary effort and intent to stay.

Chapter II
Pages 9–14

Chapter III
Pages 15–20
Chapter II
Five Imperatives for Managing Employee Work and Performance

- Provide Fair and Accurate Informal Feedback
- Emphasize Employee Strengths in Performance Reviews
- Clarify Performance Expectations
- Leverage Employee “Fit”
- Provide Solutions to Day-to-Day Challenges

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**Imperative 1: Provide Fair and Accurate Informal Feedback**

*A manager’s largest impact on employee performance comes through informal, day-to-day feedback*

**Key Takeaways**

**The Benefits of Informal Day-to-Day Feedback**—Informal feedback—the most powerful driver managers have to improve employee performance—not only directly enables better performance but also substantially impacts the employee attitudes that indirectly contribute to performance. Fair and accurate feedback, for instance, can boost employee engagement by up to 40% and discretionary effort by up to 23.3%.

**How to Better Address Poor Performance**—The traits of effective informal feedback provide a template for delivering performance criticism while minimizing damage to employee engagement. When managers must make significant interventions to correct employee performance, their criticism must be accurate, grounded in an understanding of the employee’s performance, and must contain concrete, specific suggestions for improvement, particularly feedback on how to do their jobs better.

**Effective Informal Feedback**—
Of all the interactions managers can have with their employees, informal feedback has the greatest impact on employee performance. Informal feedback that improves performance demonstrates three characteristics:
- It is fair and accurate
- It comes from a source knowledgeable of the employee’s performance
- It contains feedback that helps employees do their jobs better
Managing the Conversation in the Performance Review

**Imperative 2: Emphasize Employee Strengths in Performance Reviews**

Formal performance reviews provide the ideal forum for discussing—and reinforcing—performance strengths

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**Key Takeaways**

**Providing Specific and Targeted Feedback**—Formal reviews present an ideal forum for two types of forward-looking discussions: consideration of the employee’s long-term career prospects and advice for strengthening future performance. In both cases, managers must ground these conversations in specific and targeted feedback, whether that consists of detailed suggestions for improving performance or a frank look at the skills and behaviors the employee will need to achieve future career goals. Such specificity will demonstrate the commitment of the manager and organization to the employee’s success, in turn building engagement, strengthening performance, and increasing the likelihood of retention.

**Discussing Performance Problems**—Formal reviews that place a strong emphasis on employee weaknesses without providing detailed feedback for improvement will ultimately diminish the employee’s engagement, thereby reducing performance and lowering overall retention. Employees, however, will respond to—and act on—performance criticism when it contains targeted, specific guidance for improvement.

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*Research conducted by the Learning and Development Roundtable (a sister program of the Council) reinforces the point made here: that feedback on performance weaknesses—when provided effectively, but not in abundance—can lead to improvements in employee performance. Members seeking to learn more about this work are encouraged to visit the Roundtable’s web site at www.ldr.executiveboard.com.

Source: Corporate Leadership Council research.
### Imperative 3: Clarify Performance Expectations

*Clarifying performance expectations in specific, outcome-focused detail is the most powerful action a manager can take when explaining the performance management review process*

#### Maximum Impact of Performance Management Activities on Employee Performance

<table>
<thead>
<tr>
<th>Activity</th>
<th>Impact on Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarifying Employee Understanding of Performance Standards</td>
<td>36.1%</td>
</tr>
<tr>
<td>Ensuring Employee Understanding of the Performance Management System</td>
<td>5.2%</td>
</tr>
<tr>
<td>Building Performance Management System Credibility</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

- **Impact on Performance: 36.1%**
  - Simply increasing an employee's knowledge and understanding of the standards by which they are evaluated results in a possible 36% improvement in their performance.

- **Impact on Performance: 5.2%**
  - Given its small impact on performance, managers shouldn’t excessively emphasize the details of the performance management system itself.

- **Impact on Performance: 2.0%**
  - While the performance management system’s credibility is undoubtedly important, excessive attempts to improve employee perception of its credibility will have a limited impact on employee performance.

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### Key Takeaways

**Focus on Expectations Rather Than the System**—Managers will achieve significantly greater employee performance returns by investing time in ensuring their employees fully understand their performance expectations, rather than excessively focusing on the system itself or attempting to over-establish its credibility. Explaining or justifying the number and timing of reviews, use of rating methods, or other system traits will have little impact compared to establishing clear performance expectations.

**It’s What You Put into It That Matters**—The weak impact of understanding the performance management system and establishing its credibility highlights a key fact of performance management: the quality of its inputs ultimately drive real performance outcomes. Time invested at the outset of projects and assignments to establish clear performance goals and expectations will pay substantial performance returns.

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*Source: Corporate Leadership Council research.*
Matching Employees with Tools and Tasks

**Imperative 4: Leverage Employee “Fit”**

*Assigning employees tasks that match their strengths and preferences will greatly increase performance*

“Job-Fit” Performance Motivators

- Higher Probability of Strong Performance
  - Sample Job-Fit Performance Motivators
    - Employee ability to work on tasks they do best
    - Employee enjoyment of their work

“Job-Opportunity” Performance Motivators

- Lower Probability of Strong Performance
  - “Job-opportunity” performance motivators consist of work experiences that present opportunities for employees to develop themselves in highly visible, desirable ways and can impact employee performance by up to 25.7%.

Sample Job-Opportunity Performance Motivators

- Opportunity to work on projects with senior management exposure
- Opportunity to work on creation of a new business, initiative, or program
- Opportunity to assume significant responsibility and accountability
- Opportunity to do challenging and leading-edge work

**Key Takeaways**

**The Importance of Job Fit**—Despite the extensive press on the importance of constantly challenging employees with new and more difficult types of work, the importance of job fit requires that managers carefully consider both why and how they “challenge and expand” their employees. Employee performance ultimately suffers if employees are maneuvered into work for which they are a poor fit.

**Looking for Job Opportunities**—Employees naturally perform at higher levels when doing work they enjoy or for which they are particularly suited. When developing employees beyond their comfort zones, however, look for opportunities that will foster greater motivation and engagement with the job, such as the chance to work with senior colleagues or do leading-edge work. Such opportunities strengthen employee engagement, leading to stronger performance and creating an environment well-suited for long-term development.

Source: Corporate Leadership Council research.
**The Employee–Manager Relationship**

**Imperative 5: Provide Solutions to Day-to-Day Challenges**

*Directly working with employees to identify solutions to work problems is the best “hands-on” manager activity to improve performance*

Maximum Impact of Manager–Employee Interaction on Employee Performance

<table>
<thead>
<tr>
<th>Change in Performance</th>
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<tbody>
<tr>
<td>39.1</td>
<td>30.3</td>
<td>25.8</td>
</tr>
<tr>
<td>23.7</td>
<td>19.2</td>
<td>18.5</td>
</tr>
<tr>
<td>16.7</td>
<td>16.2</td>
<td></td>
</tr>
</tbody>
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Informal Feedback = 32%

Other Day-to-Day Interactions = 19%

**Key Takeaways**

**The Manager as Solutions Enabler and Coach**—Providing employees with specific, tangible answers and assistance to help them do their jobs, whether that consists of helping to find solutions to difficult problems or translating goals into step-by-step plans, best describes the day-to-day role of an effective manager. Conversely, frequent changes to projects and assignments diminishes employee performance not only through hindering their work but also through decreasing their engagement and willingness to exhibit discretionary effort.

**Keeping the “Manager as Coach” in Perspective**—While efforts to directly facilitate the day-to-day work of employees yields significant performance improvements, managers realize greater performance returns from time invested in people management by focusing on activities that more subtly guide employee efforts, particularly the informal feedback drivers listed above. These activities provide employees with crucial input for adjusting and improving their work, thereby fostering not only greater performance but increased engagement as they see their effort effectively channeled toward the organization’s—and their own—success.

* Five Steps to “Coach for Performance”*
  - What does effective coaching entail? Beyond the traits of effective informal feedback discussed on page 10, manager coaching that enables performance involves five core activities:
    - Helping to find solutions to problems at work
    - Helping to attain needed information, resources, and technology
    - Breaking down projects into manageable components
    - Translating long-term goals into step-by-step plans
    - Clearly communicating expectations

* How to Destroy Performance
  - Of all manager activities, one of the most damaging is making frequent changes to projects and assignments, which can lower employee performance by more than 27%. Managers must take care to provide necessary guidance at the beginning of projects and ensure that “mid-course” corrections are timely, clear, and warranted by changing business needs.

*In addition to the information presented here, members may wish to review the findings of a coaching study completed by the Learning and Development Roundtable (a sister program of the Council). The study, titled *Engaging Managers as Agents of Employee Development*, offers a quantitative business case for manager-led development and identifies high-impact managerial coaching activities. Members seeking to learn more about this work are encouraged to visit the Roundtable’s web site at www.ldr.executiveboard.com

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Chapter III

Five Imperatives for Managing the Employee’s Relationship with the Organization

- Amplify the Good, Filter the Bad
- Connect Employees with the Organization and Its Success
- Instill a Performance Culture: Communication, Flexibility, and Innovation and Risk Taking
- Connect Employees with Talented Coworkers
- Demonstrate a “Credible Commitment” to Employee Development
Managing for High Performance and Retention

**Imperative 6: Amplify the Good, Filter the Bad**

The unique role of “conduit” between the employee and the organization requires the manager to amplify organizational traits that positively impact employee performance while filtering those with negative effects.

**The Manager’s Role as Conduit**

- Managing employee perceptions of senior executives by explaining the broader context behind their actions
- Encouraging employee innovation despite an organizational culture that is averse to risk taking
- Emphasizing the value of positive aspects of the organization’s culture, such as open communication, opportunity for reward and recognition, or community involvement
- Clarifying the organization’s compensation strategy if the organization has failed to do so
- Ensuring employees understand the full range of benefits offered by the organization (e.g., retirement benefits or work-life benefits)
- Teaching new employees about organizational vision and strategy during the onboarding process

**Sample “Conduit Management” Actions**

- Managing employee perceptions of senior executives by explaining the broader context behind their actions
- Encouraging employee innovation despite an organizational culture that is averse to risk taking
- Emphasizing the value of positive aspects of the organization’s culture, such as open communication, opportunity for reward and recognition, or community involvement
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**Key Takeaways**

**How the “Conduit” Role Works**—Beyond the employee–manager relationship, a host of factors can impact an employee’s engagement. As a result, managers must carefully consider and manage their potential impact on an employee’s engagement, effort levels, and intent to stay. When managers act as a conduit, they manage not only the direct impact of the organization on an employee but also the employee’s perception of the organization, thereby protecting engagement and safeguarding employee performance.

**What Does the “Conduit” Look Like?**—The actions above provide some examples of what “conduit management” can look like in practice. In general, managers act as conduits when they explain actions or situations in a broader context, highlight the benefits an employee may derive from a particular situation, take specific actions to maximize or minimize the positive or negative impact of something, or otherwise protect employees from negative influences. Such actions can improve employee engagement by as much as 38%.

Source: Corporate Leadership Council research.

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Providing the Context for an Employee’s Work

Imperative 7: Connect Employees with the Organization and Its Success

Connect employee work to the organization’s strategy and success to strengthen employee engagement, effort, intent to stay, and, ultimately, performance

The Role of the Manager in Establishing Organizational Connection

Step 1: Establish the connection between day-to-day work and organizational strategy—The manager’s role as interface between the organization and its employees requires that managers clearly demonstrate how an employee’s work objectives originate in organizational strategy. Clearly establishing this link has the largest possible impact on employee effort, improving it by 32.8%, and can improve an employee’s intent to stay by 36.4%.

Step 2: Clarify how employee efforts drive organizational success—The need to establish the connection between work and strategy is only half of the story. Employees also need to understand how their hard work will translate into broader organizational success. Such an understanding can have up to a 30.3% impact on discretionary effort and a 34.1% impact on intent to stay.

Key Takeaways

The Unique Role of the Manager—While organizations make numerous efforts to communicate strategic goals and clarify the ways in which employees contribute to those goals, only the manager is positioned to contextualize these relationships for individual employees. Doing so not only boosts employee engagement, effort, and intent to stay, but will support broader organizational success.

Implications for Expectation-Setting, Coaching, and Feedback—The manager’s role in establishing organizational connection provides a useful framework for other performance management responsibilities, such as expectation setting, coaching, and feedback. Anchoring these activities within the context of organizational strategy and goals provides an objective, business-based perspective in which to guide and strengthen employee performance.
Fostering Communication, Flexibility, and Innovation and Risk Taking

Imperative 8: Instill a Performance Culture

Creating environments of open communication, flexibility, and innovation enables employee performance and simultaneously builds employee engagement

Manager Checklist for Building a Performance Culture

Open Communication

✓ Do you facilitate the flow of work-relevant information across and within silos?
✓ Do you encourage your employees to share their opinion on important issues?
✓ Does the information and feedback you provide give sufficient guidance for employees to alter their behavior?
✓ Can employees clearly express the organization's mission and purpose in their own words?

Flexibility

✓ Do you provide encouragement and incentives to work on new ideas despite uncertain outcomes?
✓ Do you recognize—and communicate—that failure when working to create something new does not signal employee incompetence?
✓ Do you reward employees for pursuing high-risk, high-return work?

Innovation

✓ Does your management style encourage employees to identify improved ways of doing things?
✓ Do you demonstrate a willingness to adapt to changing circumstances?
✓ Do you encourage the free flow of new ideas within your team?

Key Takeaways

Culture’s Impact on Performance—Organizational culture, specifically cultures of open communication, flexibility, and innovation, create the environment in which employees have the necessary information and freedom to succeed in their roles, improving performance by as much as 29%. But culture also works in more subtle ways, directly influencing employee engagement and its outcomes. A culture of communication, for instance, drives intent to stay more than any other driver (increasing it by more than 37%), and is one of the strongest for encouraging discretionary effort (increasing it by 29%).

The Manager’s Influence on Cultural Perception—As evidenced by the role of managers in feedback, expectation setting, and establishing employee–organization connections, it is not surprising that managers also play a pivotal role in shaping the employee’s perception of organizational culture. Managers cannot rely on the broader presence of cultural traits to reap their benefits on performance and retention; the manager must actively reinforce them through the way they manage their employees.

Source: Corporate Leadership Council research.
Networking Employees with the Broader Organization

**Imperative 9: Connect Employees with Talented Coworkers**

*An employee’s coworkers—whether colleagues or direct reports—have significant impact on engagement and, ultimately, performance*

<table>
<thead>
<tr>
<th>Key Takeaways</th>
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<tbody>
<tr>
<td><strong>Coworkers Develop Employees in All Aspects</strong>—Exposure to talented coworkers develops employees in nearly all aspects relevant for high performance: improved engagement as a result of increased organizational connection, strengthened ability through new skills and perspectives, and greater aspirations as employees become increasingly aware of the opportunities available within the organization.</td>
</tr>
<tr>
<td><strong>The Manager as Networker</strong>—The work of employees rarely occurs within a vacuum and is often dependent on information and guidance from a broader network of employees within and outside of the organization. Given the fact that employees often do not have sufficient organizational knowledge and visibility to fully establish such networks on their own, connecting employees to the optimal set of talented coworkers from across the organization is one of the manager’s most important roles. Doing so not only increases performance but also provides a foundation for increased engagement and retention.</td>
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</table>

**Leveraging Employee Relationships for Improved Performance**

1. **Colleague Interactions**—Helping employees build internal, job-focused networks that enable them to successfully complete their projects, develop new ideas, stay informed about the organization, and allow them to share their expertise will increase employee engagement by up to 57%.

2. **Quality of Direct Reports**—Supporting the employee in assembling and developing high-quality direct reports—particularly direct reports with intelligence, diverse perspectives, strong work ethics, and good problem-solving skills—will strengthen employee engagement by up to 53%.

Source: Corporate Leadership Council research.

Please note that the CEB program names referenced in this document have changed since the time of publication.
Key Takeaways

**Imperative 10: Demonstrate a “Credible Commitment” to Employee Development**

*Convincing employees of the organization’s sincere commitment to their development is critical to building employee engagement and ensuring performance*

Maximum Impact of Development Plans and Training on Employee Engagement

<table>
<thead>
<tr>
<th>Driver</th>
<th>Impact on Employee Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Customization of Plan</td>
<td>35.1</td>
</tr>
<tr>
<td>Plan Achievability</td>
<td>45.4</td>
</tr>
<tr>
<td>Manager Dedication to the Development Plan</td>
<td>48.6</td>
</tr>
<tr>
<td>Plan’s Impact on Achieving Career Goals</td>
<td>50.9</td>
</tr>
<tr>
<td>Plan’s Demonstration of Organizational Commitment to Development</td>
<td>53.6</td>
</tr>
<tr>
<td>Presence of a Development Plan</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Development Plans Must Demonstrate Organizational Commitment**—The simple presence or absence of a development plan has no impact on employee engagement. But managers who create quality plans that convince employees of the organization’s commitment to them and their development can move employee engagement a great deal through signaling a sincere, credible, realistic commitment to the employee.

**Signaling a “Credible Commitment” to Development**—Development plans primarily impact performance through building employee engagement, but only when the plans signal “credible commitment.” Credible commitments occur when the organization makes a series of costly investments to demonstrate that it is sincerely committed to employees, will follow through on its intentions, and, in short, “means business.” Development plans achieve these goals when managers expend the effort to customize plans to individual employee needs and provide the necessary resources and opportunities to support the plan’s success.

**The Danger of Development Plans**—As development plans gain widespread usage within organizations, managers run the risk of creating plans simply for the sake of doing so or in response to organizational mandates. This can, in fact, be harmful, as a bad plan can erode employee engagement and even diminish performance. Employees perceive insincerity on behalf of their managers when development planning does not stem from a credible commitment to their professional growth, and can “disengage” as a result. No plan, in short, may be a better option than a poorly designed, insincere plan.
Appendix

- Further Reading
  - Performance Management
  - Employee Engagement
  - High-Potential Employee Management
- Overview of Standard Research Methodology
- Surveyed Organizations
- Corporate Leadership Council Web Overview
- Online Resources: Line Manager and Senior Executive Toolkits

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Further Reading

**Providing Strategic Insight and Proven Solutions**

*Members interested in further details on the topics within this report are encouraged to review the following studies, available at www.clc.executiveboard.com or from orders@executiveboard.com*

- **The Performance Management Initiative**
- **Building the High-Performance Workforce**
  - A Quantitative Analysis of the Effectiveness of Performance Management Strategies
  - The Seven Keys to High Performance
  - Guidelines for Performance Improvement

- **Closing the Performance Gap**
  - Driving Business Results Through Performance Management
  - Upskilling Managers at Performance Improvement
  - Expanding Lines of Accountability
  - Aligning with Business Drivers
  - Managing for Employee Goal Realization

- **The Employee Engagement Initiative**
- **Driving Employee Performance and Retention Through Engagement**
  - A Quantitative Analysis of the Effectiveness of Employee Engagement Strategies
  - A New Model of Employee Engagement
  - Sizing the Opportunity to Improve Performance and Retention
  - Voice of the Workforce: Levers for Driving Engagement

- **Engaging the Workforce**
  - Focusing on Critical Leverage Points to Drive Employee Engagement
  - Prioritizing Engagement-Driven Business Risks
  - Engaging Key Contributors
  - Targeting Drivers of Disengagement
  - Building a High-Engagement Culture: Connection, Contribution, and Credibility

- **The High-Potential Employee Management Initiative**
- **Realizing the Full Potential of Rising Talent (Volume I)**
  - A Quantitative Analysis of the Identification and Development of High-Potential Employees
  - Identifying High-Potential Employees
  - Developing High-Potential Employees

- **Realizing the Full Potential of Rising Talent (Volume II)**
  - Strategies for Supporting the Development of High-Potential Employees
  - Managing the HIPO Pipeline
  - Building Sustainable Professional Networks
  - Establishing a Credible Commitment to HIPO Development
  - Structuring Job Challenges to Speed HIPO Skill Acquisition
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Overview of Standard Research Methodology

A Methodological Overview and Example

The example below outlines the general methodology used by the Council to determine the impact of a “driver” (i.e., a specific action, experience, or characteristic) on a given outcome, such as performance.

### Six Steps to Determine Driver Impact

1. **Collect and Standardize Measures of Employee Performance**

   - **Collect**
     - Company-Provided Raw Data
     - Results Rating: 5, 4, 3, ...

   - **Test**
     - Validity and Reliability Tests

   - **Standardize**
     - Percentile Rank in Company
     - 100, 99, 98, 97, ...

2. **Measure Presence and Effectiveness of a Given Driver**

   - On average, about how often does your manager give you informal feedback about your work performance?
     - [ ] Once a day
     - [ ] 2–4 times a week
     - [ ] Once a week
     - [ ] 2–3 times a month
     - [ ] Once a month
     - [ ] 8–11 times a year
     - [ ] 4–7 times a year
     - [ ] 2–3 times a year
     - [ ] Once a year
     - [ ] Less than once a year
     - [ ] My manager never gives me informal feedback about my work performance

3. **Measure Attitudes of High Performance (In this example, “Discretionary Effort”)**

   - When needed, I am willing to put in the extra effort to get a job done.
     - Very strongly agree
     - Strongly agree
     - Somewhat agree
     - Neither agree nor disagree
     - Somewhat disagree
     - Strongly disagree
     - Very strongly disagree

4. **Estimate Impact of Driver on Performance and Attitudes of High Performance Using Statistical Techniques**

5. **Calculate Total Impact of Driver on Performance**

6. **Prioritize Drivers According to Maximum Total Impact**

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Source: Corporate Leadership Council research.
Participating in Corporate Leadership Council Studies

Datasets with more than 90,000 employees from 135 organizations supported the analyses presented with this report.

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Accessing This Study and Related Resources Online

www.clc.executiveboard.com

1. Benchmarking Center
   Inform your initiatives and day-to-day work with an extensive library of benchmark measures supported by best practices.

2. HR Organizational Diagnostic
   Rate your organizational performance in 20 key HR activity areas and receive links to relevant resources.

3. Line-Manager Toolkits
   Access a set of resources presenting Council findings “in the voice” of line managers and senior executives.

4. Implementation Support
   Select practices and implementation strategies appropriate to your desired investment goal and project stage.

5. Turnover Cost Calculator
   Estimate the cost of turnover in your organization and project potential cost savings from reduced turnover.

6. HR Tools and Templates
   View real HR documents, policies, and forms in use at member organizations.

7. Graphics Library
   Locate and cut and paste Council graphics illustrating key data and concepts into your own presentations.

8. Peer Database
   Search for and contact HR practitioners at other member organizations through our online peer-to-peer networking service.

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Frequently Asked Questions

Q: How much does it cost to download research from the site?
A: All research may be downloaded free of charge, and paper copies of our strategic studies may be ordered in unlimited quantities for no additional cost.

Q: How many individuals at my organization may access the site?
A: An unlimited number of usernames and passwords are available for employees at member organizations.

Q: Must I access the Council Web site from my office?
A: No, you may access the Council Web site from your home computer or from any location with Internet access.

Q: Can I link the Council Web site to our HR or corporate intranet?
A: Yes; this is an effective means of increasing awareness of your Council membership within your organization. Contact your account director for assistance in establishing a link.

Q: Do I need any special technology to access the Council Web site?
A: The only requirements are Adobe Acrobat Reader (5.0 or higher) and Internet Explorer (5.0 or higher) or Netscape Navigator (4.7 or higher).
Online Resources

LINE MANAGER AND SENIOR EXECUTIVE TOOLKITS

At www.clc.executiveboard.com HR leaders can access ready-to-use resource toolkits supporting the prioritization and improvement of organizational workforce management

1. **Communication Templates**: Ready-to-use cover packaging introducing HR issues and available resources to line staff and executives

2. **Business Case Briefs**: Succinct, one- to two-page documents presenting key data supporting the importance of workforce management issues

3. **“30-Minute” Presentations**: Prepackaged PowerPoint slide decks bundled with talking points and discussion questions to facilitate delivery to non-HR staff

4. **Diagnostics and “To Do” Lists**: Tools facilitating the identification of organizational areas of weakness and next steps

5. **Best Practice “Quick Views”**: Brief snapshots of approaches used by other organizations to address these challenges
Subject: The Importance of Leadership Development
From: [Insert Name, Title]
To: [Insert Intended Audience]

I am very eager to share the following information with you, that highlights the findings of the Corporate Leadership Council. These resources detail the business case for leadership development, provide information on key leadership opportunities and risks, and profile strategies to support the improvement of our leadership bench.

Quickly articulate the importance of HR issues for your senior executive team and line managers using hard data as evidence of bottom-line impact.

1. Communications Templates

I am very eager to share the following information with you, that highlights the findings of the Corporate Leadership Council. These resources detail the business case for leadership development, provide information on key leadership opportunities and risks, and profile strategies to support the improvement of our leadership bench.

Input your team’s information and send, or adapt the text of these templates to your need.

2. Business Case Briefs

PepsiCo institutes two sets of annual performance expectations for each employee—Business Results and People Results.

- Business Results: Focus on overall profitability of the division, market share, and revenue
- People Results: Focus on personal and professional development, and team and line manager goals

Team and line managers are expected to meet these objectives:

- Business Results: Focus on overall profitability of the division, market share, and revenue
- People Results: Focus on personal and professional development, and team and line manager goals

Draft your team’s information and send, or adapt the text of these templates to your need.

3. “30-Minute” Presentations

Lead conversations internally using focused slide presentations, supported by speakers’ notes, comments, and questions to provoke discussion.

- The Council used the metric of total shareholder return to differentiate between the performance of top-tier leadership organizations and other firms

Draft your team’s information and send, or adapt the text of these templates to your need.

4. Diagnostics and “To Do” Lists

Pinpoint, with your line managers and senior executives, key areas for attention at your organization and capture next steps.

- Are talent review conversations focused on the senior managers with the greatest potential for driving the organization’s goals?
- Are you able to categorize departure risks in your unit according to their impact on business capabilities?

Draft your team’s information and send, or adapt the text of these templates to your need.

5. Best Practice “Quick Views”

Provide brief overviews of best-practice profiles in areas directly relating to the responsibilities and priorities of line managers.

Draft your team’s information and send, or adapt the text of these templates to your need.