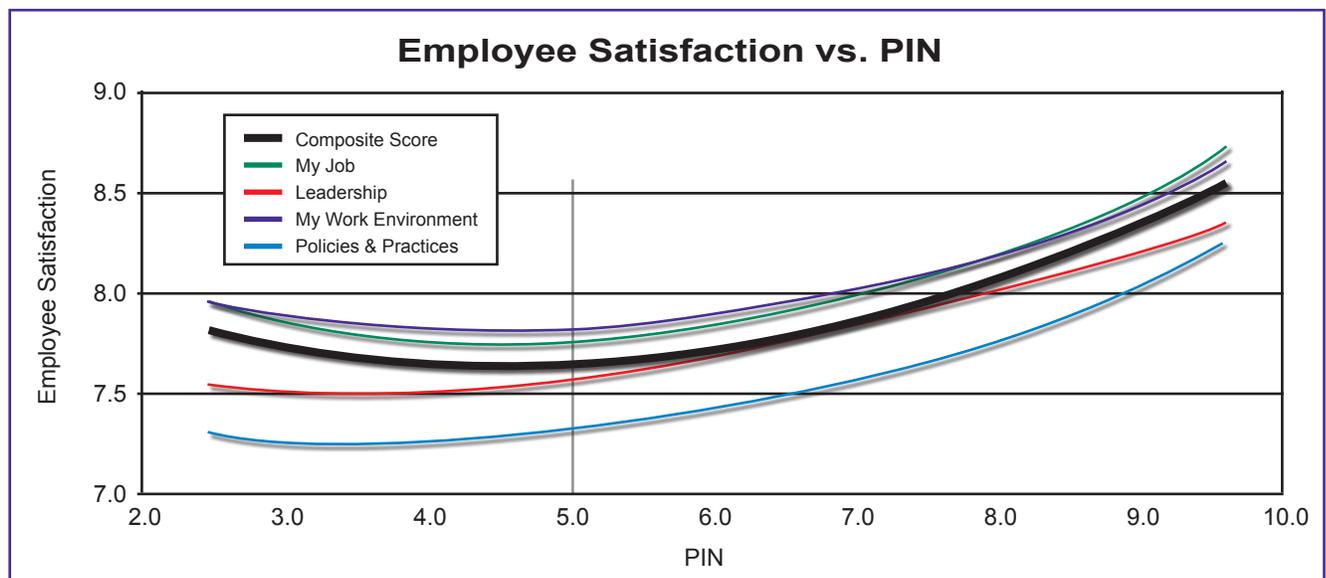


Employee Vitality

We recently compared the results of a comprehensive agency study on employee satisfaction with the Performance Indicator Numbers (PIN) of the participating agencies and found that the two are directly related. The PIN measures the profit, operational and equity perspectives of a given agency through the weighting of several ratios on a scale of 1-10. Our Employee Satisfaction study measures how satisfied employees are in terms of their *Job, Agency Leadership, Work Environment* and *Agency Policies & Practices*, also on a scale of 1-10. The *Composite Score* is the average of the four. The chart below illustrates the correlation between the various components of employee satisfaction with the PIN of the agency.



Based on the above chart, we see that the best-performing agencies have the most satisfied employees. Furthermore, as agency performance improves past a PIN of 5.0, employee satisfaction also increases lockstep.

One of the curious things about the chart is that employee satisfaction is relatively high at underperforming agencies and drops slightly as agency performance improves. We believe this can be attributed to many things: lack of accountability, low performance standards, lower than average customer counts and commission handled by CSRs, an overall complacency in driving new business among producers and a lack of sound compensation and expense oversight on the part of agency management.

As agencies make the tough decisions necessary to grow and increase their overall performance (as measured by the PIN), employee satisfaction falls briefly as employee are held accountable to higher standards and begins to rise steadily after the employee challenges, rewards and experiences are aligned.

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