

Column

Why do organizations that can take on challenges produce results?

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Analysis target: Data from FY2025

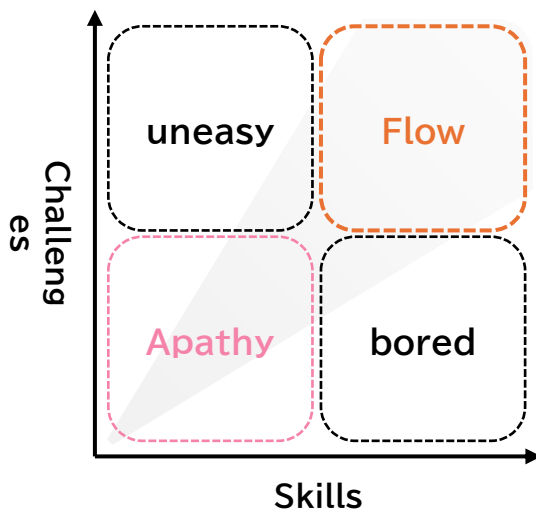
In order to continuously create new value in a rapidly changing business environment, it is important for each employee to continuously demonstrate their abilities and grow through repeated challenges. Our company focuses on flow theory as a way to support this cycle of challenge and growth. According to flow theory, a state where both "challenge" and "skill demonstration" are high leads to individual ability demonstration and growth. Therefore, the NTT Group analyzed organizational status from the perspective of flow theory by utilizing engagement survey results and business performance data.

■ What is Flow Theory

According to flow theory, when both the difficulty of the task ('challenge') and the ability to demonstrate their abilities ('skill demonstration') are both high, people can demonstrate their abilities with high concentration and a sense of fulfillment. NTT Group has conducted

- "My job is challenging and rewarding."
- "I am fully utilizing my skills and abilities in my assigned duties."

Using this question, we classified the state of each organization into four quadrants.



Analysis: The Hypothesis and the Overall Verification Overview

- In this analysis, organizations with both high "challenge" and "capability performance" are defined as "flow organizations," while those with low levels are defined as "indifferent organizations," and they are compared as contrasting groups

Overall Hypothesis

The organization's culture, climate, and workplace environment support employee flow status, which is related to engagement and business performance.

Hypothesis Testing (1)

Organizations that excel in both "challenge" and "ability demonstration" have relatively high engagement and business performance

Hypothesis Testing (2)

Organizations that value both "challenge" and "ability demonstration" have characteristics in the work and workplace environment that support these

- In this analysis, the engagement survey and financial information were linked at the organizational level and analyzed. Among organizations holding financial information, the linkage of target fields and organizational codes and data fulfillment status were checked, and ultimately 50 business divisions were analyzed as the target.

Survey Overview

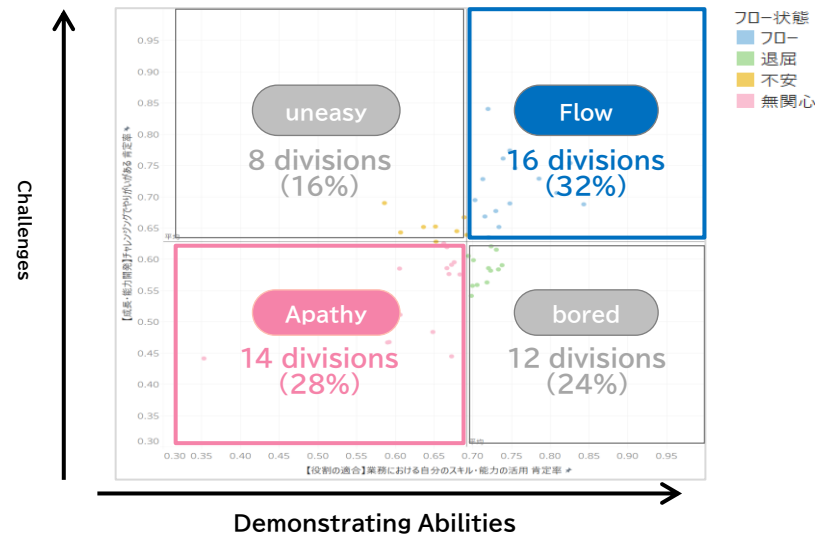
- Surveyed organizations: Profit organizations within the NTT Group (organizations that can identify income and expenditure by project at the organizational level)
- Number of organizations surveyed: (n) = 50 (sample survey)
- Survey period: Fiscal Year 2024~Fiscal Year 2025
- Research methodology: Analysis based on financial data by organization and employee engagement survey results

Organizational classification by "challenge" and "ability demonstration"

Hypothesis
Testing (1) |

Organizations that excel in both
"challenge" and "ability demonstration"
Relatively high engagement and
business performance

- For 50 business divisions, the recognition rates for "challenge" and "ability demonstration" were classified by their higher or lower levels compared to the average of all business divisions, and 16 divisions were defined as "flow organizations" and 14 as "indifferent organizations."



Four questions that make up the "Engagement KPI" = 4KPIs

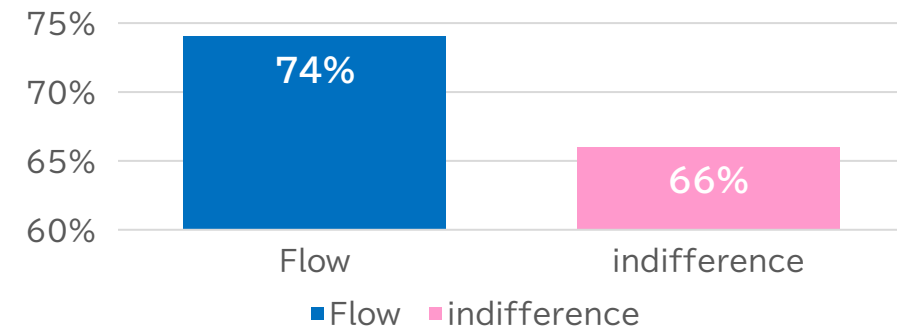
- Sense of accomplishment: I gain a sense of accomplishment as a person through my work
- Recommendation intention from acquaintances: I believe I would recommend our company to acquaintances as a wonderful workplace.
- Willingness to Contribute: At our company, we are motivated to contribute beyond what is required to accomplish our work.
- Pride: I am proud to work at our company.

Flow Organization and Engagement

- The average positive rate for the 4 KPI engagement in flow organizations was 74%, 8 points higher than the 66% of indifferent organizations.
- Additionally, organizations with engagement 4KPI affirmation rates above the average across all business divisions were Flow organizations, with 13 out of 16 divisions (81.3%), while indifferent organizations had only 3 out of 14 divisions (21.4%).

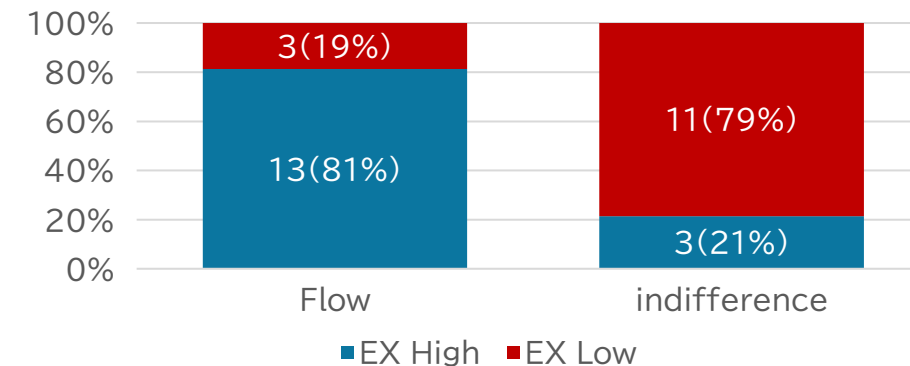
■ Measurement metric:

Average affirmation rate of the 4 engagement KPIs for the division



■ Measurement metric:

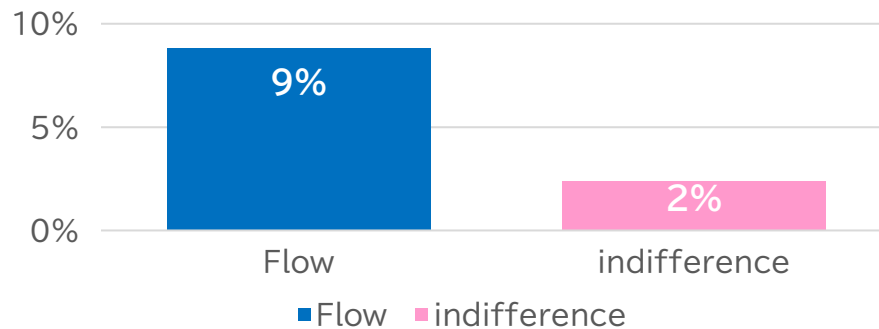
Distribution of high and low points compared to the average of all business divisions for the 4 KPIs of engagement



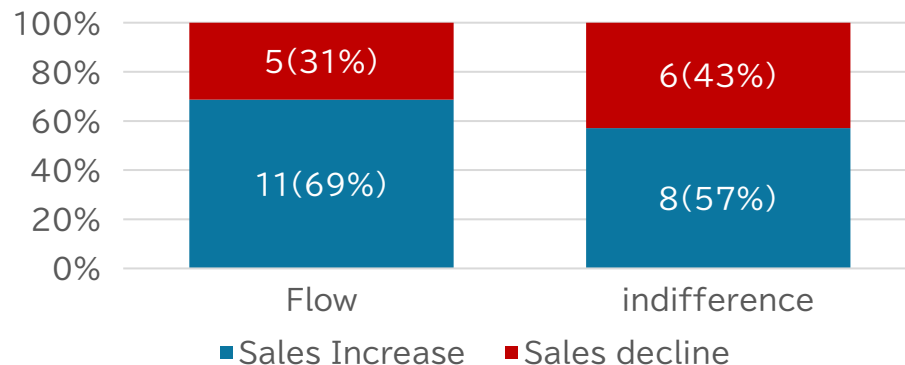
Flow Organization and Sales Growth

- The average year-over-year sales for flow organizations was +9%, 7 points higher than the +2% for indifferent organizations.
- The proportion of organizations with sales exceeding the previous year was 69% for flow organizations and 57% for indifferent organizations, showing a relatively higher trend among flow organizations.

■ Measurement Indicator: Year-on-year average sales by business division



■ Measurement Indicator: Year-on-Year Sales by Business Division



Non-financial | Engagement

Flow organizations tend to have relatively high engagement.

Flow organizations tend to have high engagement levels and high engagement ratios

- 4 KPI affirmation average
74% vs 66% | +8pt
- Organizations above the average across all business divisions
81% vs. 21%

Finance | Sales Growth Rate

Flow organizations have relatively high sales growth rates.

Flow organizations tend to have high average sales growth rates and sales increase ratios.

- Average sales year-on-year
: +9% vs +2% | +7pt
- Percentage of organizations increasing sales
: 6.9% vs. 57%

In organizations where both "challenge" and "ability demonstration" are high, Engagement and sales performance also showed relatively high trends.

* Since performance varies by organization and includes influences from business fields and market environments, these results do not indicate a causal relationship between "challenge and capability demonstration" and business outcomes.

A framework for exploratory analysis based on flow theory

Hypothesis Testing (2) | Organizations that value both "challenge" and "ability demonstration" have characteristics in the work and workplace environment that support these

- We organized the corresponding engagement survey questions for the eight conditions leading to the flow state indicated by flow theory.
- In this analysis, challenge, sense of fulfillment, and performance are used as objective variables, and other flow-related conditions identified by the survey are explanatory variables, and these relationships are exploratory analysis using an order logistic regression analysis.

Eight conditions	Corresponding Engagement Survey Questions
Balancing Challenge and Skill	[Growth & Skill Development] Challenging and rewarding work [Role Fit] Utilizing your skills and abilities in your work
Clear goals	[Performance Responsibility] Understanding Expectations for Yourself [Strategy Penetration] Linking company-wide strategy with assigned duties [Strategy Penetration] Clarifying the direction our company aims for
Immediate Feedback	[Performance Responsibility] Feedback that helps improve individual performance [Recognition] Recognition of Good Work
Focus on activities	[Resources] Securing resources necessary for business execution *Proxy indicators [Resources] Productive Work Environment *Proxy Metrics
Fusion of Activity and Awareness	[Engagement] The sense of achievement gained from work *Proxy Metrics
Control Perspective	[Authority and Discretion] Authority and discretion for business execution [Work Style] Choosing an Autonomous Work Style
Intrinsic motivation	[Engagement] Voluntary Willingness to Contribute
Accidents and the Transformation of Time Perception	— (No applicable questions)

Flow conditions related to challenge and fulfillment

- For challenge and sense of fulfillment, the sense of achievement gained from work was most strongly correlated, followed by the link between strategy and assigned tasks, and motivation to contribute voluntarily.
- In addition to the sense of accomplishment at work, it is suggested that the meaning of one's own work and the intrinsic motivation to contribute are distinctly linked to "challenge and fulfillment."

Ranking	Explanatory variable	Relevance	intentional determination
1	[Engagement] The sense of accomplishment gained from work	very strong	●
2	[Strategy Penetration] Linking company-wide strategy with assigned duties	strong	●
3	[Engagement] Voluntary Willingness to Contribute	Certain correlation	●
4	[Recognition] Recognition of Good Work	Certain correlation	●
5	[Performance Responsibility] Feedback that helps improve individual performance	Certain correlation	●
6	[Authority and Discretion] Authority and discretion for business execution	Certain correlation	●
7	[Resource] Productive work environment	limited	●
8	[Performance Responsibility] Understanding Expectations for Yourself	limited	●
9	[Resources] Securing resources necessary for business operations	Negative Relationship	▲
10	[Work Style] Choosing an Autonomous Work Style	limited	●
11	[Strategy Penetration] Clarifying the direction our company aims for	Negative Relationship	—

(Relevance) ■0.6 or higher ■0.4-0.6 ■0.2-0.4 ■0.0-0.2 ■Negative

Flow conditions related to performance performance

- The strongest correlation with ability demonstration was the "sense of accomplishment gained from work," followed by "understanding expectations of oneself" and "recognition of good work."
- In addition to job satisfaction, understanding the roles expected of individuals was distinctly linked to ability performance, and there was also a certain association with recognition from others and a productive work environment.

Ranking	Explanatory variable	Relevance	intentional determination
1	[Engagement] The sense of accomplishment gained from work	very strong	●
2	[Performance Responsibility] Understanding Expectations for Yourself	strong	●
3	[Recognition] Recognition of Good Work	Certain correlation	●
4	[Resource] Productive work environment	limited	●
5	[Authority and Discretion] Authority and discretion for business execution	limited	●
6	[Work Style] Choosing an Autonomous Work Style	limited	●
7	[Strategy Penetration] Linking company-wide strategy with assigned duties	limited	●
8	[Resources] Securing resources necessary for business operations	limited	●
9	[Performance Responsibility] Feedback that helps improve individual performance	limited	●
10	[Engagement] Voluntary Willingness to Contribute	limited	—
11	[Strategy Penetration] Clarifying the direction our company aims for	limited	—

(Relevance) ■ 0.6 or higher ■ 0.4-0.6 ■ 0.2-0.4 ■ 0.0-0.2 ■ Negative

Conditions Supporting Flow State| Challenge and Fulfillment

Giving meaning to work and forming growth challenges

Clarify the connection between your work and organizational strategy, and through recognition and feedback on results, connect them to the next challenge and improvement.

- Linking company-wide strategy with responsibilities
- Recognition of Good Work
- Feedback that helps improve individual performance

Conditions Supporting Flow State | Ability Demonstration

Clarifying Expected Roles and Improving the Work Environment

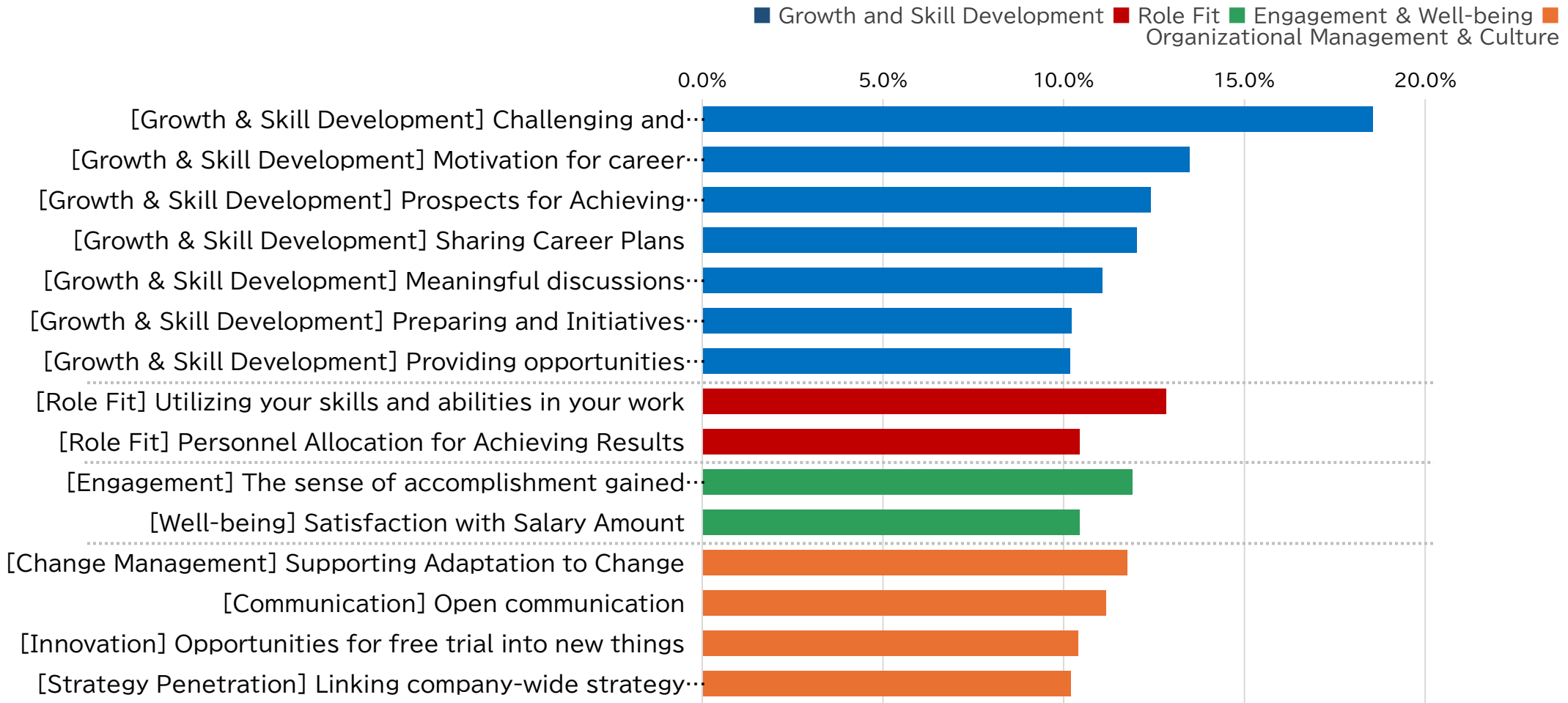
Clarify the roles expected of individuals, recognize their ability demonstration, and create an environment where they can make their own decisions and focus on their work.

- Clarifying the Role of Expectations for Individuals
- Recognition of Good Work
- Creating a productive work environment
- Granting the authority and discretion necessary to carry out business operations

- ✓ The strongest link was to "the sense of accomplishment from work" to challenge, sense of fulfillment, and ability demonstration.
- ✓ On the other hand, challenges and fulfillment are characterized by "connection between strategy and assigned tasks" and "willingness to contribute voluntarily," while ability demonstration is characterized by "understanding the expected role of the individual" and "perception of good work," suggesting that the conditions supporting both have different aspects.

Comparison of Differences Between Flow and Indifferent Organizations | Top Questions

- We examined the differences in business unit approval rates for both flow organizations and indifferent organizations, and organized the characteristics of flow organizations into four domains based on the top 20 question differences.



Features of Flow Organization | Overview

- In flow organizations, in addition to challenges and career development and ability development and talent placement, there were also distinctive features such as environments and growth opportunities that support these challenges, growth opportunities, a comfortable working environment, and a sense of social contribution.
- It suggests that the work and workplace environment is relatively well established, allowing students to take on challenges by leveraging their abilities, looking ahead to growth and careers.

Characteristics of Flow Organizations | Challenges and Career Development

Opportunities to Grow and Career

In a flow organization, work is viewed as an opportunity for challenge and growth, There is a tendency to have concrete prospects for future careers.

- Flow Question: Challenge & Fulfillment
- Higher-level questions: Motivation for career advancement / Prospects of achieving career goals / Sketching career plans / Career dialogue with supervisors / Preparing career plans

Features of a Flow Organization | An environment and growth opportunities that support challenges and ability demonstration

A work environment that supports challenges and ability demonstration

Support for transformation, dialogue, free trials, giving meaning to work, opportunities for learning and growth, There are also differences in environments that support both challenge and ability performance.

- Top questions: Support for adapting to change / Open communication / Free trial opportunities / Linking strategy to responsibilities / Learning and growth opportunities / Risk staking / Feedback that helps improve

Characteristics of Flow Organization | Ability Utilization and Personnel Allocation

Roles and placements that allow you to utilize your abilities are well established

In addition to allowing individuals to apply their skills and abilities in their work, There is a tendency for organizations to realize talent placement that leads to results.

- Flow questions: Utilizing skills and abilities
- Senior question: Personnel Allocation for Achieving Results

Features of Flow Organization | A Comfortable Work Environment and a Sense of Social Contribution

An organizational culture where you work authentically and feel your contribution to society

In addition to understanding values and being one's individuality, there were also distinctive organizational cultures that supported ease of work and connections with society, such as a sense of contribution to society and the organization.

- Top questions: Satisfaction with values / Opportunities to participate in social contribution activities / My authentic self / The business impact of DEI

In a flow organization, in addition to challenges, career development, skill utilization, and talent placement, The work environment and organizational culture that support these efforts also showed distinctive features.

Future Initiatives Based on Analysis Results

This analysis confirmed that flow organizations with high levels of both "challenge" and "capability performance" tend to have relatively higher engagement and business performance.

Additionally, flow organizations featured features such as opportunities to support growth and career development, placements that allow skills to be utilized, and workplace environments and organizational cultures that encourage challenges.

Based on these suggestions, the NTT Group

- Expanding Opportunities for Each Employee to Take on Challenges
- Realizing roles and placements that allow you to maximize your abilities
- Enhancing dialogue and feedback with supervisors
- Creating an environment that supports learning and growth
- Fostering an organizational culture that encourages autonomous challenge

Through this, we aim to realize a virtuous cycle of employee growth and business growth.

