STATE OF THE INDUSTRY:

EMPLOYEE ENGAGEMENT IN 2018

Virgin Pulse

What makes engagement so important?

Engaged employees are more productive employees. The imperative to increase employee engagement permeates every aspect of the organization.

Recently, Virgin Pulse (in association with Workforce magazine) surveyed more than 1,000 HR professionals and talent leaders for their thoughts on employee engagement programs and practices at their organizations. We discovered that when employees feel valued by the organization, they're more satisfied and more likely to stay with the company long-term. Positive employee engagement translates to higher levels of employee wellbeing and retention.

Consider the following outcomes from organizational efforts to improve engagement

Organizations with mature employee engagement programs:

68% *Report increased employee satisfaction*

50% *Report increased employee retention*

Organizations with fledgling employee engagement programs:

36% *Report increased employee satisfaction*

27% *Report increased employee retention*

While engagement is a priority for many, some organizations are further along than others. By placing responses along an organizational maturity curve, we identify best practices for how to improve employee engagement by learning from organizations that have already done so.

Our study also found:

- Increased employee engagement is a priority among nearly all organizations
- Workplace culture is key in increasing engagement
- By examining organizations that have already achieved success with engagement, we can identify where aspiring organizations should start with new engagement initiatives

Our results show that there's a clear business case for bettering employee engagement, because engagement affects all areas of the organization, from productivity to retention.
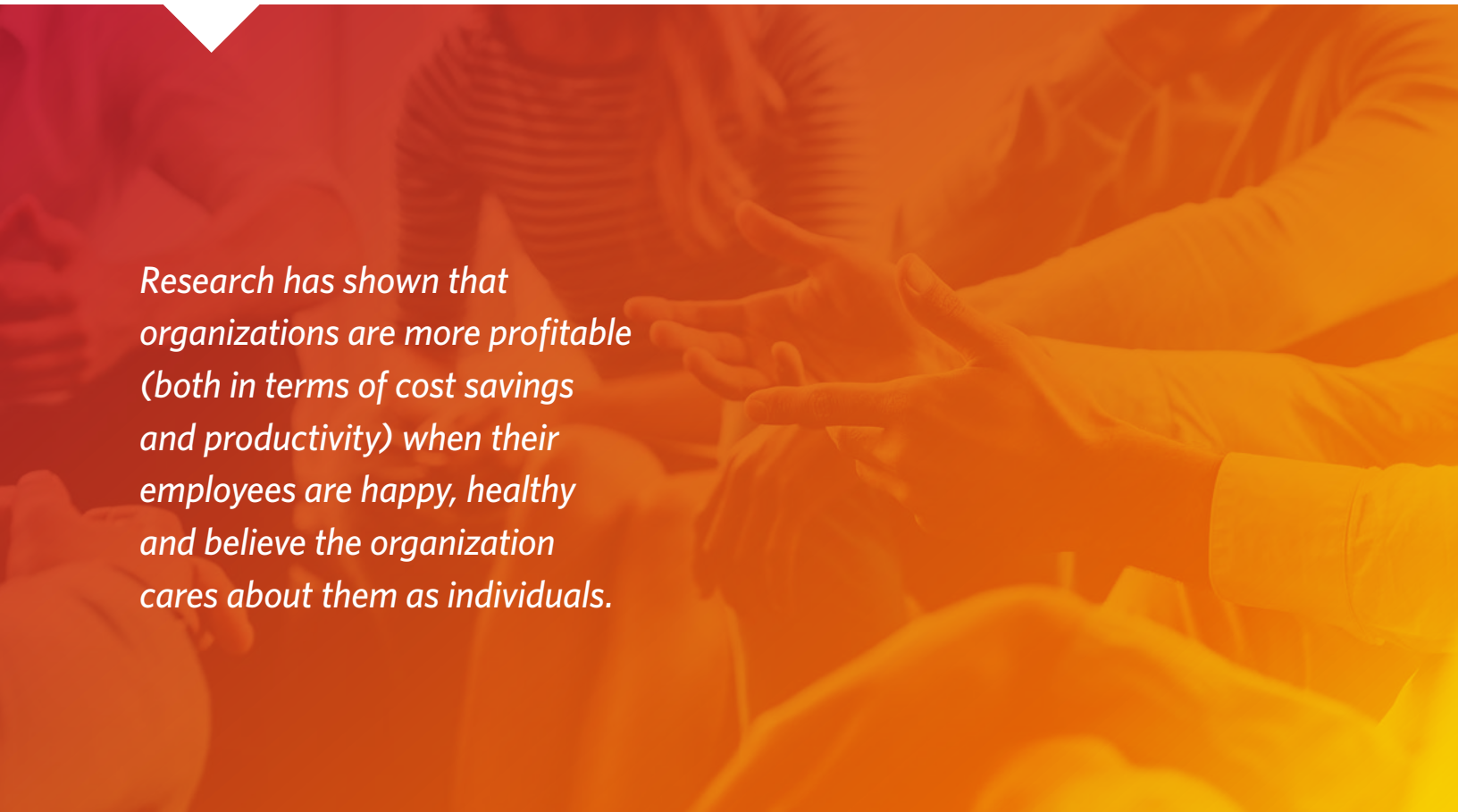
Over 1,000 people took the 2018 Workforce State of the Industry: Employee Engagement survey, presented by Virgin Pulse and Workforce magazine.

Except where noted, data reflects the entire set of survey respondents. See Appendix for detailed survey information.

Employee engagement, defined

We hear the term often, but what does *employee engagement* mean in practice? The Society for Human Resource Management defines employee engagement as "the connection and commitment employees exhibit toward an organization."[1] Specifically:

- Individuals want to **value the work** they do and **feel valued** by the organization they work for
- They want an organization's **mission and values to reflect their own**
- Employees want to know that organizations **care about their health and wellbeing**, which in turn proves organizational commitment and fosters loyalty
- Most importantly, **the work itself**. Employees want their work to be meaningful and purposeful, with room in the organization to grow and do their best work

Research has shown that organizations are more profitable (both in terms of cost savings and productivity) when their employees are happy, healthy and believe the organization cares about them as individuals.
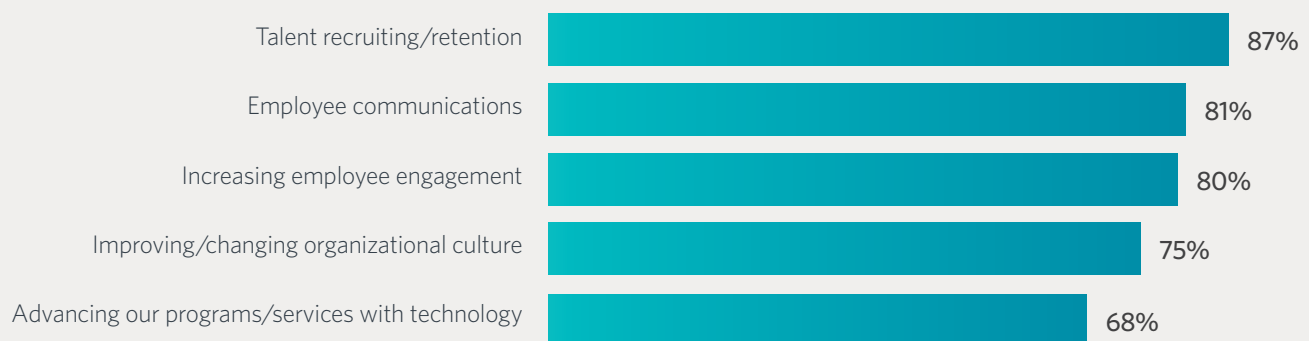
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[1] *SHRM (2017). Developing and Sustaining Employee Engagement.*

One of the Greatest Priorities

For HR departments, there's no greater objective: increase engagement now, and act fast.

Nearly all survey respondents told us their organizations are laser-focused on bettering employee engagement — eight out of 10 are addressing this in 2018. Besides engagement, what other HR initiatives will be implemented in 2018? Top priorities include increasing retention, improving employee communications and advancing programs through technology (Figure 1).

Figure 1: Top Priority HR Initiatives for 2018

Talent recruiting/retention	87%
Employee communications	81%
Increasing employee engagement	80%
Improving/changing organizational culture	75%
Advancing our programs/services with technology	68%

These initiatives come as part of a broader push to improve workplace culture. Three-quarters of HR departments have been tasked with changing their workplace culture — which includes improving engagement.

Organizations are moving toward a more holistic model of addressing engagement, one that works to improve the entire employee experience.[2] To be successful in their efforts, organizations will need to address engagement during the entire employee lifecycle with initiatives that address work/life balance, improve communication between line-level employees and their managers and encourages high performers to stay with the company long-term.

Improving wellbeing can specifically help with engagement, as work stress is a leading cause of illness in the U.S., costing employers as much as $300 billion a year due to absenteeism, higher turnover rates, increased medical costs and lower productivity.[3] Employees that are engaged are happy, true. But they also deliver better business performance results than those employees who aren't engaged.

For 74% of organizations, the HR department has been tasked with changing workplace culture

[2] *Deloitte (2017). Global Human Capital Trends Report.* [3] *Whil. (2017). Make Wellbeing Your New Competitive Advantage.*

The Connection and Correlation Between Engagement and Wellbeing

If employees don't feel emotionally safe and secure in their work, if leaders routinely demand too much of employees, if work/life is unbalanced — these all contribute to low engagement and employee dissatisfaction. A negative work/life balance also hurts employee wellbeing, which can then in turn affect engagement negatively.

For this reason, 70 percent of survey respondent organizations will place a high priority on improving employee health and wellbeing in 2018.

Engagement and wellbeing are intertwined, with 90 percent of employees believing that their work wellbeing programs positively affect work culture. Organizations that seek to improve one will also improve the other.

There's evidence that current efforts are paying off:

- 28% of organizations have increased their total employee wellbeing as part of their efforts to improve employee engagement
- 53% of organizations currently invest in wellbeing as part of their engagement strategy
- An additional 25% of organizations plan to include wellbeing in their strategy mix within the next 5 years

The results are even better for organizations further along the maturity curve. Organizations with mature engagement programs are 23 percent more likely than fledgling organizations to report increases in employee wellbeing as part of their engagement efforts.

Thanks in part to efforts to improve employee engagement, survey respondents have observed the following outcomes at their organizations:

- Reduced stress from supervisors and managers
- Increased awareness regarding engagement
- A great employee culture

— *From 2018 Workforce Employee Engagement survey, open comments*

53% of organizations overall currently invest in employee wellbeing as part of their engagement strategy

40% of organizations with mature engagement programs have seen an increase in overall employee wellbeing thanks to their engagement efforts

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Virgin Pulse (2017). The Business of Healthy Employees.

The Employee Engagement Maturity Model — Defined

In this survey, we asked respondents to rank their organization along a maturity scale based on defined criteria about the size and scope of their current programs (see below). What does an employee engagement maturity model look like? Where would organizations rank themselves, given the chance? In other words:

- How far along do organizations see themselves in the battle to increase employee engagement?
- Do the organizations have abstract or well-defined engagement strategies?
- Is the organization just starting out, or does it have a robust set of programs used year over year?

Survey respondents placed their organizations into several areas. From there, we combined answers into two groups: Fledgling (non-existent, beginner and limited answers) and Mature (intermediate and advanced answers).

In HR terms, what is a mature organization?

An organization where workers believe engagement efforts are solid. Key differentiators between these two groups include alignment and implementation.

The bad news is that engagement hasn't previously been a priority for some organizations – 54 percent are either Limited, Beginner, or Non-existent. But the good news is that it is a priority for most, with just under half of all respondents feeling their current organization's efforts are intermediate or advanced (Figure 2).

Figure 2:

How developed is your organization's employee engagement program?

- Non-existent
- Beginner
- Limited
- Intermediate
- Advanced
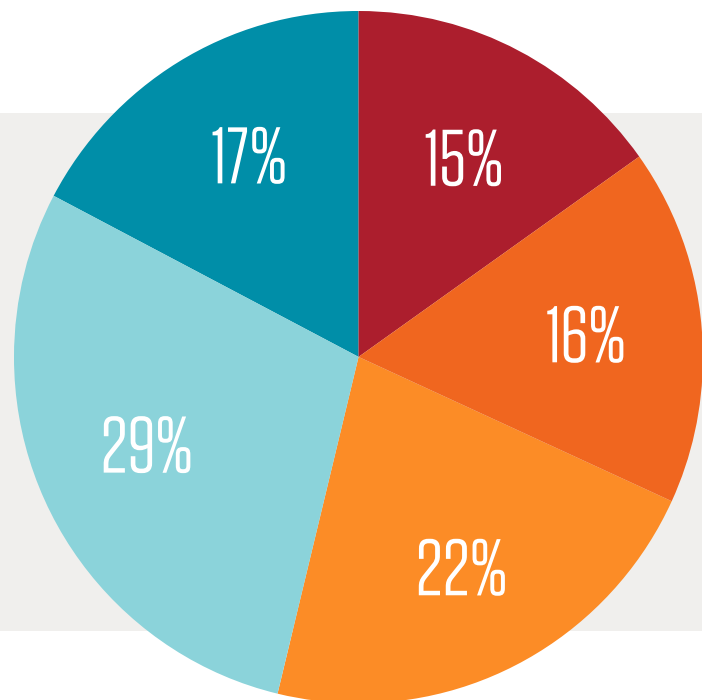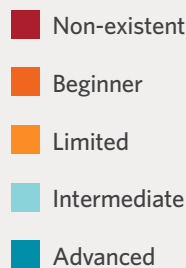
Program maturity, defined

Non-existent: We have not yet begun any initiative to increase employee engagement.

Beginner: We are in the initial stages of defining engagement at our organization. We have mapped goals to our organizational strategy/mission.

Limited: We have programs like assessments, surveys, etc. but go no further

Intermediate: We have successfully implemented engagement programs to meet specific needs, but do not have a holistic engagement strategy.

Advanced: We have a solid set of integrated engagement programs that are linked to our organization strategy, are integrated with other areas, like benefits and wellness and have a demonstrable impact on our organization.
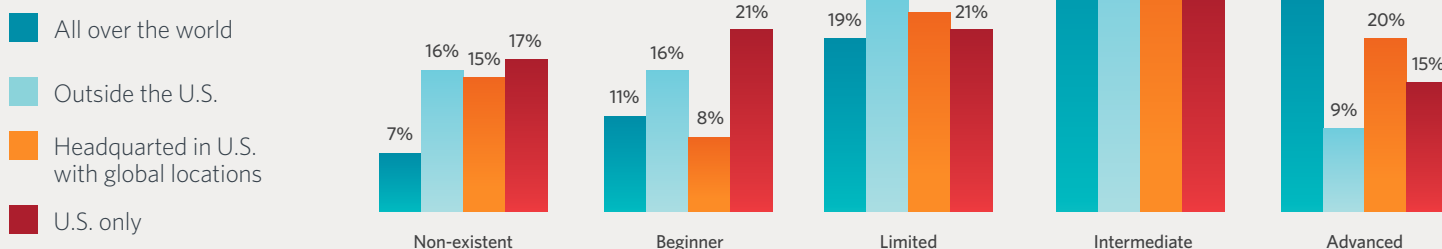
Engagement Maturity Increases with Global Footprint

Is there any correlation between an organization's global footprint and its place along the maturity curve? Some. Survey respondents at organizations with a global presence — either slightly or highly dispersed — were more likely to rate their company as intermediate or advanced, while survey respondents at organizations just in the U.S. were more likely to identify as a beginner organization.

This higher focus on engagement is not surprising given the different health care models outside the US and the role engagement plays in unifying a dispersed organization (Figure 3).

Figure 3:

Engagement Program Maturity (by workforce distribution)

Legend:
- All over the world
- Outside the U.S.
- Headquarted in U.S. with global locations
- U.S. only

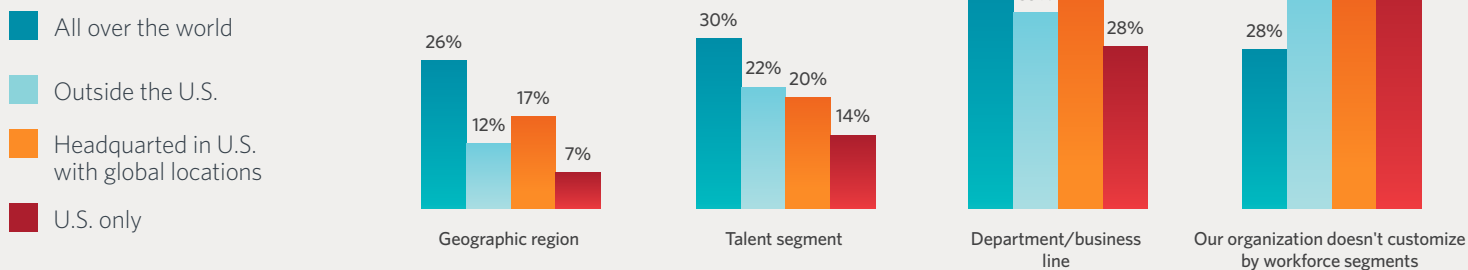|	Non-existent	Beginner	Limited	Intermediate	Advanced
All over the world	7%	11%	19%	36%	26%
Outside the U.S.	16%	16%	24%	35%	9%
Headquarted in U.S. with global locations	15%	8%	23%	34%	20%
U.S. only	17%	21%	21%	26%	15%

Geographically dispersed organizations face unique challenges regarding engagement. As organizations grow and open locations outside the U.S., they'll need dedicated resources to attract and engage employees in diverse regions.

How can dispersed organizations address engagement? One way is to customize or personalize initiatives by specific employee segments. Survey respondents indicate that dispersed organizations segment engagement efforts more so than organizations located entirely within the U.S. While half of U.S. organizations don't personalize engagement efforts by employee segment, nearly two-thirds of highly dispersed organizations do. By necessity, dispersed organizations personalize initiatives by geographic region the most. However, they are also more likely to personalize efforts by line of business or talent segment (Figure 4).

Figure 4 :

Does your organization customize/personalize engagement efforst by workforce segments?

Legend:
- All over the world
- Outside the U.S.
- Headquarted in U.S. with global locations
- U.S. only

	Geographic region	Talent segment	Department/business line	Our organization doesn't customize by workforce segments
All over the world	26%	30%	39%	28%
Outside the U.S.	12%	22%	35%	43%
Headquarted in U.S. with global locations	17%	20%	39%	37%
U.S. only	7%	14%	28%	50%

The Success of the Mature Organization

What are mature organizations doing differently?

By examining organizations that have already achieved engagement success, we can identify a set of best practices for aspiring organizations. For starters, mature organizations have made efforts to link engagement to their organizational strategy, while fledgling organizations have not. Fledgling organizations may have started one or two programs, and experienced some initial success in improving engagement, their engagement levels should increase as they advance along the engagement maturity curve.

What else are mature organizations doing to improve their employee engagement scores?

The short answer is, quite a lot.

From establishing metrics to implementing assessments and installing vendor-provided solutions, mature organizations simply do more — measure more, assess more and take more into account, with similar budgets to fledglings. For most organizations overall (68 percent), the budget for their employee engagement programs has stayed the same YOY.

A fledgling organization is less likely to measure employee engagement with tools such as net promoter score or retention/attrition data. They are more than twice as likely than mature organizations (57 percent to 20 percent) to not track employee engagement by workforce segments. And they are less likely than mature organizations to personalize or customize engagement efforts by either department or business line.

Do mature organizations show greater outcomes from their efforts? Absolutely. Mature organizations report huge gains in engagement and productivity. Better outcomes, reduced attrition, all come from successful use of employee engagement programs (Figure 5).

Mature organizations believe that programs have a demonstrable impact on the business. By moving the needle on employee engagement — taking an employee from actively disengaged to engaged — organizations start to see improvements. Such positive outcomes can be seen in increased productivity levels, higher satisfaction with the organization and reduced attrition. These positive outcomes all lead to demonstrable business value.

Figure 5:

Organizational outcomes from efforts to improve employee engagement

■ Mature organizations
■ Fledgling organizations

	Improved productivity	Improved employee performance	Improved recruitment
Mature organizations	42%	38%	34%
Fledgling organizations	22%	20%	17%
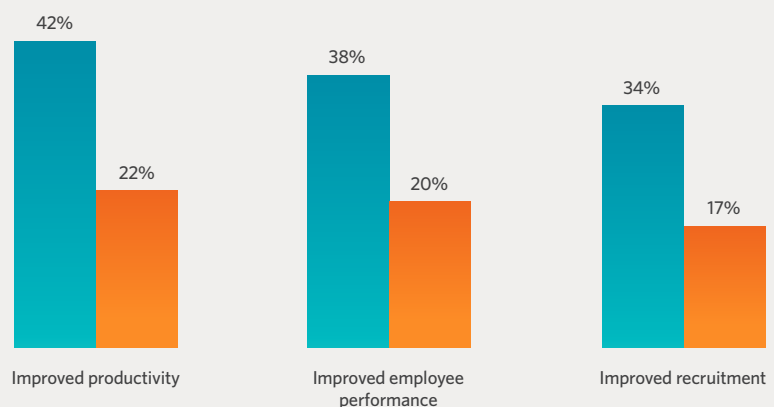
Self-Reflection

If you're a fledgling organization, this is not a bad thing.
It's a fresh start toward long-lasting results.

Organizations that are just starting out with efforts to improve their employee engagement have a clean slate to implement an impactful strategy. But knowing how to tackle engagement can be daunting.

Where do you start?
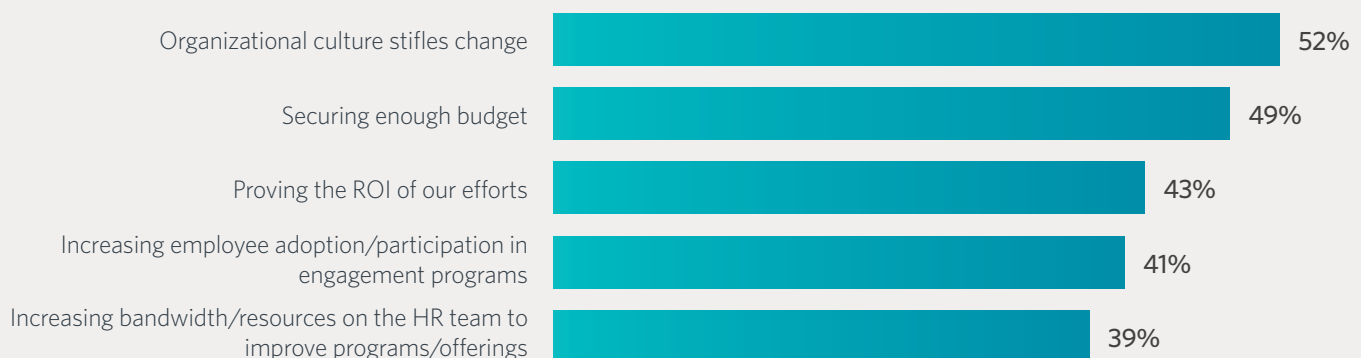
Start by asking the following questions:

- Is the health of my workforce a priority for my organization?
- 32% of fledgling organizations rate health outcomes as low or not a priority
- Does my organization measure employee engagement?
- 37% of fledgling organizations don't measure engagement at all
- Does my organization track engagement by workforce segments?
- 57% of fledgling organizations don't track engagement in this way

Next, examine potential roadblocks to increasing employee engagement at your organization.

- Does your HR team have enough budget to implement programs?
- Does your work culture hinder engagement efforts?
- Are there barriers to communicating with employees?

Fledgling organizations say these are all challenges to increasing employee engagement (Figure 6). Knowing where the challenges lie at your organization is the first step to achieving higher engagement levels.

Figure 6: Top roadblocks to increasing employee engagement (fledgling organizations)

Roadblock	Percentage
Organizational culture stifles change	52%
Securing enough budget	49%
Proving the ROI of our efforts	43%
Increasing employee adoption/participation in engagement programs	41%
Increasing bandwidth/resources on the HR team to improve programs/offerings	39%

Moving on Up

How can my organization mature?

Fledgling organizations report a host of roadblocks to increasing employee engagement, while fewer mature organizations experience the same roadblocks. For example, 35 percent of fledgling organizations say that finding an executive sponsor for engagement programs is a top challenge, while only 17 percent of mature organizations report having this same challenge.

Mature organizations report fewer instances of all roadblocks, so what are they doing differently? And how can fledgling organizations increase the maturity of their engagement programs and realize business value from increased engagement?

Does your organization invest in employee wellbeing as part of the engagement strategy? Mature organizations are 27 percent more likely to report taking wellbeing into account when addressing engagement. Organizations can improve wellbeing with programs and initiatives to ensure their employees are happy, healthy and well-rested.

Start by asking employees what their pain points are

Your employees are the experts on how your organization could function more efficiently. What motivates them to feel engaged? Addressing low engagement doesn't always take a big budget or programs; often, organizations just starting out will find that they can make positive steps by tackling limited communication or reducing the time or steps needed to complete tasks.
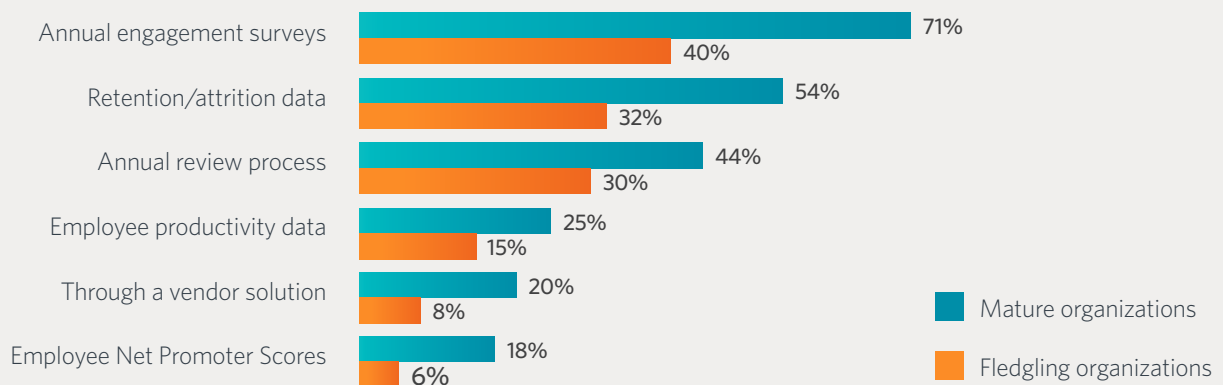
Your organization might already be measuring engagement

You can also examine already-collected data that might not be used otherwise. Many organizations accrue a wealth of data from annual engagement surveys, 360-degree feedback forms or exit interviews (Figure 7). Such information can be used to discover exactly where employees feel disengaged and how the organization can help. These efforts also demonstrated to individuals that their employer cares about their needs and wants to create solutions specific to them.

How to improve employee engagement efforts, a quick guide

- Have a core set of values and incorporate those mission and values into onboarding and other training

- Quantify what you want to achieve

- Establish metrics that will measure the impact of engagement efforts

- Use analytics to track engagement

- Incorporate wellbeing into engagement efforts

Figure 7: **How does your organization measure employee engagement?**

Category	Mature organizations	Fledgling organizations
Annual engagement surveys	71%	40%
Retention/attrition data	54%	32%
Annual review process	44%	30%
Employee productivity data	25%	15%
Through a vendor solution	20%	8%
Employee Net Promoter Scores	18%	6%

■ Mature organizations
■ Fledgling organizations

Increase Engagement by Improving Culture

Workplace attitudes above all else dictate how employees feel

One of the biggest takeaways from this survey is the true impact of workplace culture — both how it helps and hinders engagement efforts. Fifty-two percent of fledgling organizations (and 32 percent of mature organizations) say that their current culture stifles change efforts, whether due to employee pushback or lack of leader buy-in. Overcoming the current state of workplace culture is the top roadblock to increasing employee engagement — greater than securing budget, proving ROI or finding an executive sponsor for change efforts.

Successful engagement efforts start with having a strong mission and values statement, one the organization puts into practice daily.

These values should be:

- Part of everyday life as an employee
- Included in onboarding and ongoing training
- Integral to HR policies and hiring practices

This is a best practice for mature organizations — 90 percent of mature organizations incorporate their mission and values into HR policies and hiring. Also, 93 percent of mature organizations say that their core set of values drive organizational culture. A strong mission and values statement is a good place to start for fledgling organizations looking to improve their place on the engagement maturity curve.

With mission and values driving culture improvements, the next step is to use your organization's culture as a differentiator when attracting new talent.

6 in 10 mature organizations leverage their culture when attracting and retaining talent.

Many mature organizations also take cultural fit into account during the hiring process and when considering promotions.

Eighty-six percent of mature organizations see an improved culture as critically important to driving business outcomes. Among mature organizations, there is a strong belief that organizational culture is critical achieving business outcomes. The greatest roadblock to improving employee engagement is having a resilient workplace culture. While budget is a constant concern, when it comes to engagement, budget isn't the top concern; culture is.

The #1 barrier to improving employee engagement is workplace culture.

In Conclusion

It's not enough for organizations to invest in hardware, software facilities or equipment; they must also invest in people. With the war on talent making it harder to recruit top employees, organizations need to cultivate the employees they have and do all they can to encourage them to stay.

Employee engagement has been top of mind for years — back in 2010 Gallup reported that 62 percent of workers weren't engaged at work, while an additional 27 percent were actively disengaged. Engagement will continue to be a key differentiator among organizations that put their employees' health, happiness and success at the forefront.

Additional Resources

The Leaders' Essential Guide To Employee Engagement with Emotional Agility author and
Harvard psychologist Susan David.

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In Deloitte's recent talent trends report, **_Key HR Technology Disruptions for 2018: Productivity, Design, and Intelligence
Reign_**, industry thought leader and analyst Josh Bersin delves into the key components influencing HR technology and
how they will change the way we work.

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Culture As A Revenue Driver webinar recording with Dr. Ron Goetzel
(John Hopkins University, Truven Health Analytics)

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Examining Employee Engagement: A Panel Discussion webinar recording

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The Best Of Employee Wellbeing And Engagement Toolkit

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Crabtree, S. (2013). Worldwide, 13% of Employees Are Engaged at Work. Gallup.

Appendix

Demographics

Name of survey

2018 Workforce State of the Industry: Employee Engagement

Survey dates

February 2018

Number of respondents

1,0009

Functional level of respondents

40.2% are at director level and above

Organization size

1 to 499 employees: 46.2%

500 to 1,000 employees: 11.8%

1,000 to 4,999 employees: 17.2%

5,000 to 9,999 employees: 8.0%

10,000 or more employees: 16.9%

Geographic distribution

All over the world: 16.4%

U.S. only: 58.7%

Outside of the U.S.: 14.9%

Headquartered in U.S. (with global locations): 9.9%

Industry

Biopharma: 0.8%

Construction: 1.4%

Education: 9.9%

Engineering: 1.7%

Finance/banking: 5.4%

Food: 1.1%

Government: 9.7%

Healthcare provider: 7.8%

Hospitality: 1.5%

Insurance provider: 3.4%

Manufacturing: 9.2%

Not for profit: 7.8%

Professional services: 13.6%

Retail: 2.1%

Technology: 5.5%

Telecommunications: 1.2%

Transportation: 2.2%

Other: 15.8%

Numbers may not total 100% due to rounding