

The Age of Employee Engagement

Employee engagement is one of the greatest challenges facing organizations today. Despite the recent enthusiasm for employee engagement, few organizations understand what it is and how it can drive corporate outcomes. In fact, only 23% of organizations have a formal strategy in place with clear initiatives across the entire organization. As a result, engagement levels are dangerously low for many organizations — negatively impacting organizational productivity and retention. In order for organizations to gain competitive advantage, employee engagement needs to be linked to performance, measured consistently throughout the organization and enabled by innovative technology. This Research Brief, based on 234 responses, will explore how leading organizations are designing and implementing employee engagement strategies that contribute to organizational success.

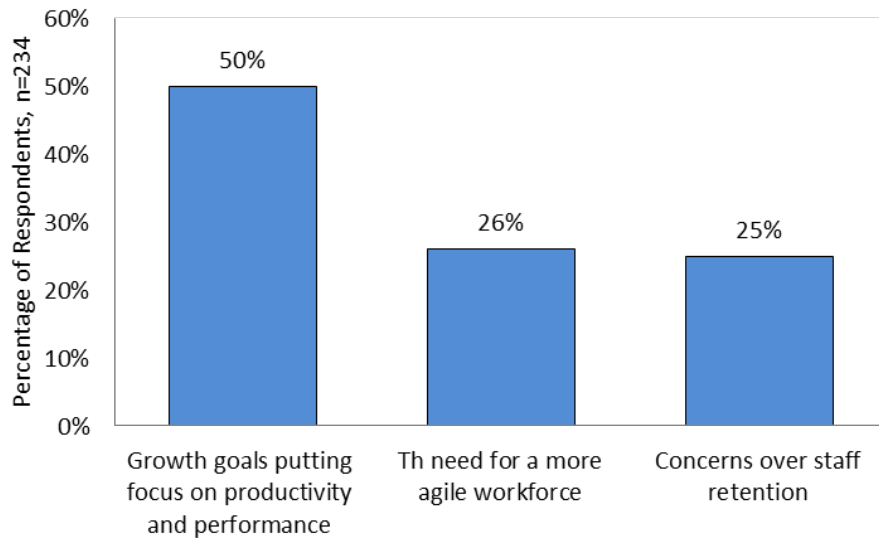
Research Brief

Aberdeen's Research Briefs provide a detailed exploration of key findings from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

The Engagement Crisis

The state of employee engagement has reached an inflection point. Organizations can either change the way they engage top talent or they will lose talent. While nearly 70% of organizations indicated that they were satisfied with their engagement efforts in 2012, only 55% of organizations are satisfied today. In many cases, these organizations recognize that engagement is important but have not designed or implemented a formal strategy. If organizations do not begin to re-evaluate their approach to employee engagement and make it a priority, they will have a difficult time addressing critical business pressures including organizational growth, flexibility, and employee retention (see Figure 1). These pressures are being driven by senior leadership and reinforce the fact that engagement can directly impact business outcomes.

Figure 1: Top Pressures for Employee Engagement



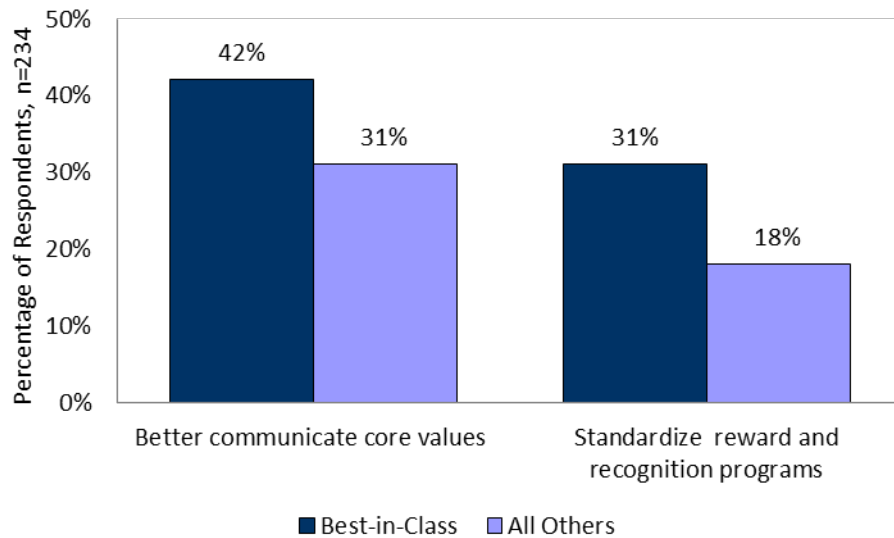
Source: Aberdeen Group, September 2013

Given these pressures, leading organizations are investing more heavily in the way they engage top talent. Nearly 50% of organizations that have a budget for employee engagement expect that budget to increase. The challenge for many of these organizations is determining where to place this investment not only in improving processes but also in leveraging robust technology solutions. The following pages of this report will highlight how organizations prioritize engagement and improve organizational metrics.

Best-in-Class Strategies

What distinguishes Best-in-Class organizations from Industry Average and Laggard organizations is their ability to communicate engagement efforts across the entire organization. The top strategy for Best-in-Class organizations (42%) is core communication with employees (see Figure 2). In the past, this type of communication was conducted through an annual survey where employees would leave anonymous feedback for HR or senior management. Today, communication must be frequent, bi-directional, and consistent. Employers must be willing to accept and receive honest and open feedback from employees, job candidates, alumni, and key stakeholders. Internally, employees, managers, and senior leaders should be informed of engagement efforts. Externally, job candidates, alumni, and contingent workers are a few examples of individuals that should be given the ability to provide feedback on engagement. Through strong communication, these individuals will feel a sense of responsibility for the success of engagement efforts and can serve as champions of the program.

Figure 2: Key Strategies for Engagement

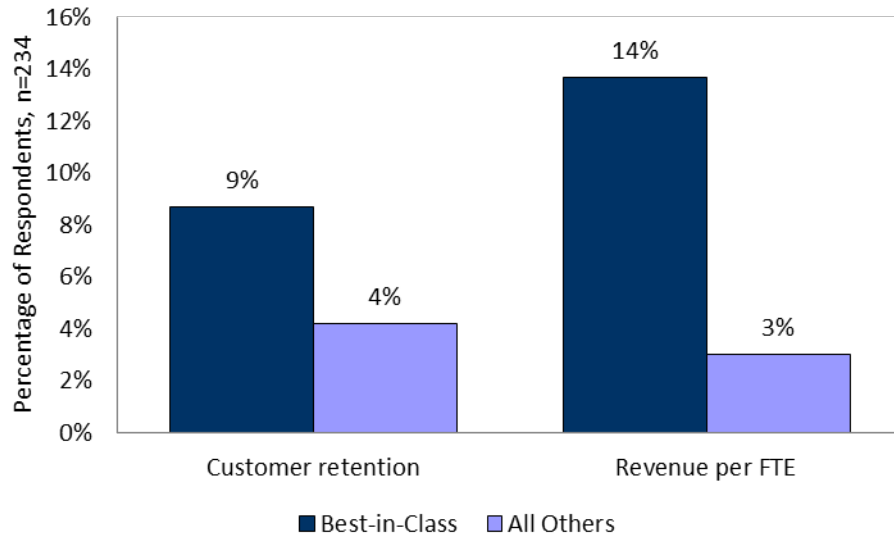


Source: Aberdeen Group, September 2013

In addition to communication, Best-in-Class organizations are including standard rewards and recognition programs in their employee engagement efforts. Currently, 31% of Best-in-Class organizations have a standard rewards and recognition program in place compared to 18% of All Others (Industry Average and Laggard organizations). By acknowledging an employee's positive behaviors, rewarding those behaviors, and demonstrating appreciation for employee contributions, that individual will stay engaged with the company and feel motivated to perform.

Organizations that execute on these strategic activities are able to achieve business results such as improved customer retention and revenue per employee. Best-in-Class organizations improved customer retention and revenue per full-time employees at twice the rate of Industry Average and Laggard organizations (Figure 3). These organizations were also able to clearly define critical elements in engagement and link those elements to performance.

Figure 3: Year-Over-Year Improvement in Business Metrics



Source: Aberdeen Group, September 2013

Key Elements of Engagement

Employee engagement is not a “one size fits all” strategy. Organizations must determine their specific talent needs and design a program that fits in with their company culture. When asked to identify the most common elements of employee engagement, Best-in-Class organizations identified employee recognition, cultural values, interaction with a direct manager, and work / life balance (see Figure 4):

Employee Recognition: Employee recognition programs are quickly becoming one of the fastest growing areas of talent management and a key driver of business success. Not only do these programs fuel employee engagement but they reinforce positive behaviors throughout the organization and help employees feel appreciated and motivated. Forty percent (40%) of Best-in-Class organizations include employee recognition in their engagement programs compared to 35% of All Others.

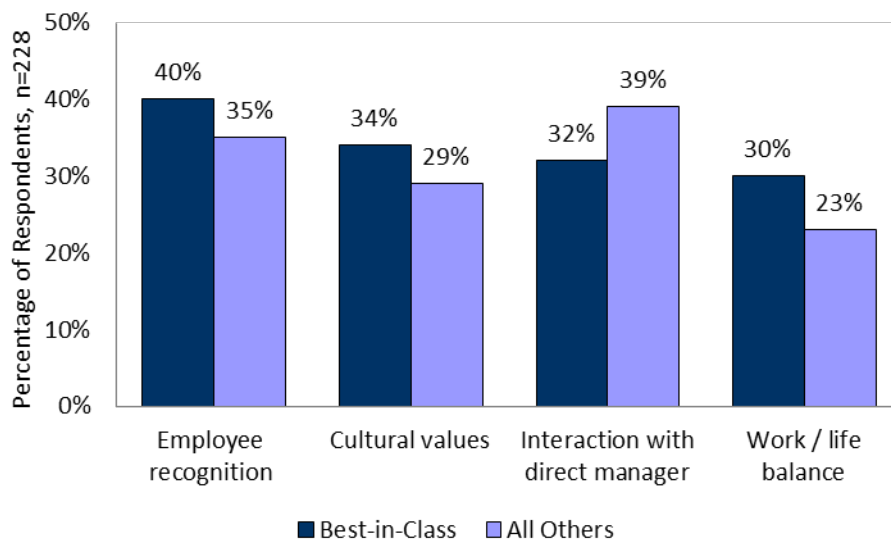
Cultural Values: One way that organizations are able to achieve results with engagement is by aligning their strategies with company cultural values. An organization that is able to clearly define its values is more likely to reinforce those values through engagement. Thirty-six percent (36%) of Best-in-Class organizations include cultural values in their engagement efforts compared to 29% of All Others.

Interaction with Direct Manager: When managers are responsible for employee engagement, they are more likely to link these strategies to performance. Engagement becomes more than a buzzword and instead, an initiative that is directly tied to employee success and the bottom line. Industry Average and Laggard organizations (39%) are even more likely to

include interaction with direct managers in their engagement strategies than Best-in-Class organizations (32%).

Work / life balance: Providing a work / life balance to employees is one way that organizations are able to engage and retain talent. A work / life balance encourages a stronger relationship between employer and employee and provides the type of appreciation employees are seeking especially when monetary incentives are not possible. Thirty percent (30%) of Best-in-Class organizations include a work-life balance as a key component of engagement strategies.

Figure 4: Key Components of Employee Engagement



Source: Aberdeen Group, September 2013

The Correlation between Engagement and Performance

The correlation between engagement and performance is hard to deny. The goal for both is to create alignment between the needs, desires, skills and activities of individuals, and what the business requires to achieve results. In fact, organizations may find it difficult to gain support for engagement initiatives unless they are tied to performance goals and driving employee success. Currently, 40% of Best-in-Class organizations are aligning their engagement and performance strategies compared to only 18% of All Others (Industry Average and Laggards).

When this connection is in place, organizations are also more likely to link engagement to business outcomes such as profitability. Engagement is based on driving employee success and ultimately business success. Seventy-five percent (75%) of Best-in-Class organizations are able to align changes in organizational profitability to employee engagement efforts compared to 31% of All Others.

Capabilities Enabling Success

Aberdeen analyzed how organizations are thinking about their process design and technology options when investing in employee engagement.

Process

Process capabilities for employee engagement involve gaining support from senior leaders and managers. Eighty-nine percent (89%) of Best-in-Class organizations have support from senior leaders and 78% have support from managers compared to 50% and 40% of All Others, respectively. By building a business case for engagement and gaining support from the top, these organizations are more likely to take engagement to the next level with a dedicated manager, formal recognition program, and coaching and mentoring programs (see Figure 5).

Figure 5: Process Capabilities for Employee Engagement



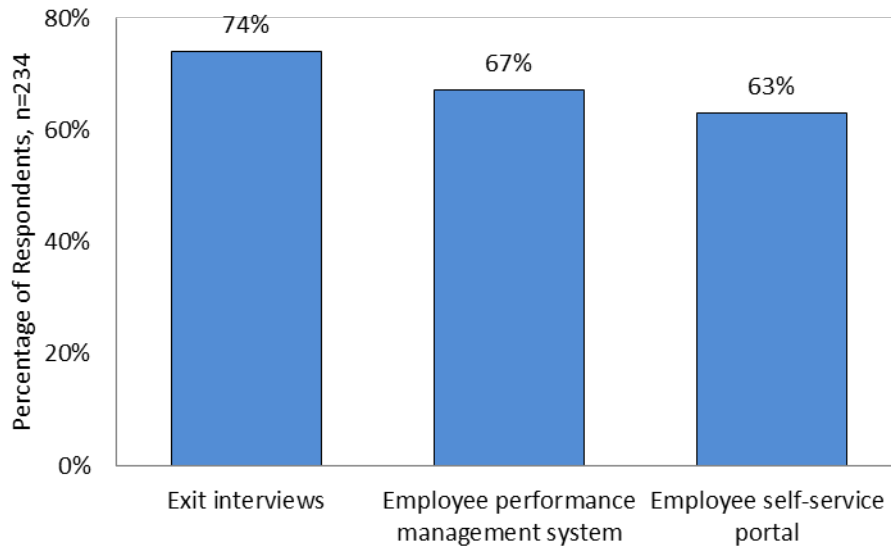
Source: Aberdeen Group, September 2013

Technology

When it comes to technology, there is no single solution for employee engagement. As these strategies evolve, organizations are moving away from utilizing traditional engagement surveys as the primary solution when rolling out their programs. Although surveys are a valuable way to gauge engagement levels, they do not always enable organizations with an action plan moving forward. Also, if they are anonymous surveys, it becomes difficult to open lines of communication and build an authentic relationship between employer and employee. As a result, leading organizations invest in a variety of solutions and tools to strengthen these programs.

The majority of organizations are leveraging existing technology systems for engagement such as exit interviews, performance management systems, employee self-service portals, and learning management systems (see Figure 6).

Figure 6: Top Technology for Employee Engagement



Source: Aberdeen Group, September 2013

- Exit interviews are used for Offboarding is one of the most critical yet neglected areas of talent management in place today. Although organizations are hesitant to formalize a process for exiting employee, the benefits to the business are hard to deny especially for engaging current employees. Exit interviews provide organizations with the insight they need to improve engagement efforts.
- Performance management systems (67%) can enable managers to work with employees on designing performance goals, providing informal feedback, and evaluating productivity.
- Employee self-service systems provide seamless, personalized content, information, and collaboration to employees. Sixty-three percent (63%) of organizations are investing in self-service — a significant increase from 49% of organizations in 2012.

Performance Management

Organizations often struggle to demonstrate a Return on Investment (ROI) from employee engagement strategies. Since employee engagement is closely intertwined with other areas of talent management discussed earlier, it becomes difficult to determine if key performance indicators such as retention and productivity are associated with other talent programs. Best-in-Class

overcome this challenge but clearly identifying metrics for engagement and measuring the process regularly. Currently, 46% of Best-in-Class organizations have metrics defined compared to 18% of All Others.

Key Takeaways

Gain senior support. Gaining senior support is critical when rolling-out an employee engagement strategy. HR and business leaders should partner with senior executives to both design and implement this strategy.

Strengthen rewards and recognition programs. A strong rewards and recognition program can help to boost employee engagement. Unlike traditional incentive programs that strengthen employee satisfaction for the short-term, strategic rewards and recognition programs ensure that employee engagement levels are sustainable for the long-term.

Invest in technology. Technology can help to standardize employee engagement and improve its reach across the organization. Organizations should think about existing technology and future options.

Related Research

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<i>Strategic Onboarding 2013: A New Look at New Hires</i> ; April 2013	<i>Strategic Talent Acquisition: Are You Prepared to Hire the Best</i> ; September 2012
<i>Assessments 2013: Finding the Perfect Match</i> ; April 2013	
Author: Madeline Laurano, Research Director, Human Capital Management (madeline.laurano@aberdeen.com)	

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