



STATE OF THE INDUSTRY:

EMPLOYEE ENGAGEMENT IN 2018

What makes engagement so important?

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

Recently, Virgin Pulse (in association with Workforce magazine) surveyed more than 1,000 HR professionals and talent leaders for their thoughts on employee engagement programmes and practices at their organisations. We discovered that when employees feel valued by the organisation, 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 organisational efforts to improve engagement

Organisations with mature employee engagement programmes:



Report increased employee satisfaction



Report increased employee retention

Organisations with fledgling employee engagement programmes:



Report increased employee satisfaction




Report increased employee retention

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

Our study also found:

- Increased employee engagement is a priority among nearly all organisations
- Workplace culture is key in increasing engagement
- By examining organisations that have already achieved success with engagement, we can identify where aspiring organisations 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 organisation, from productivity to retention.

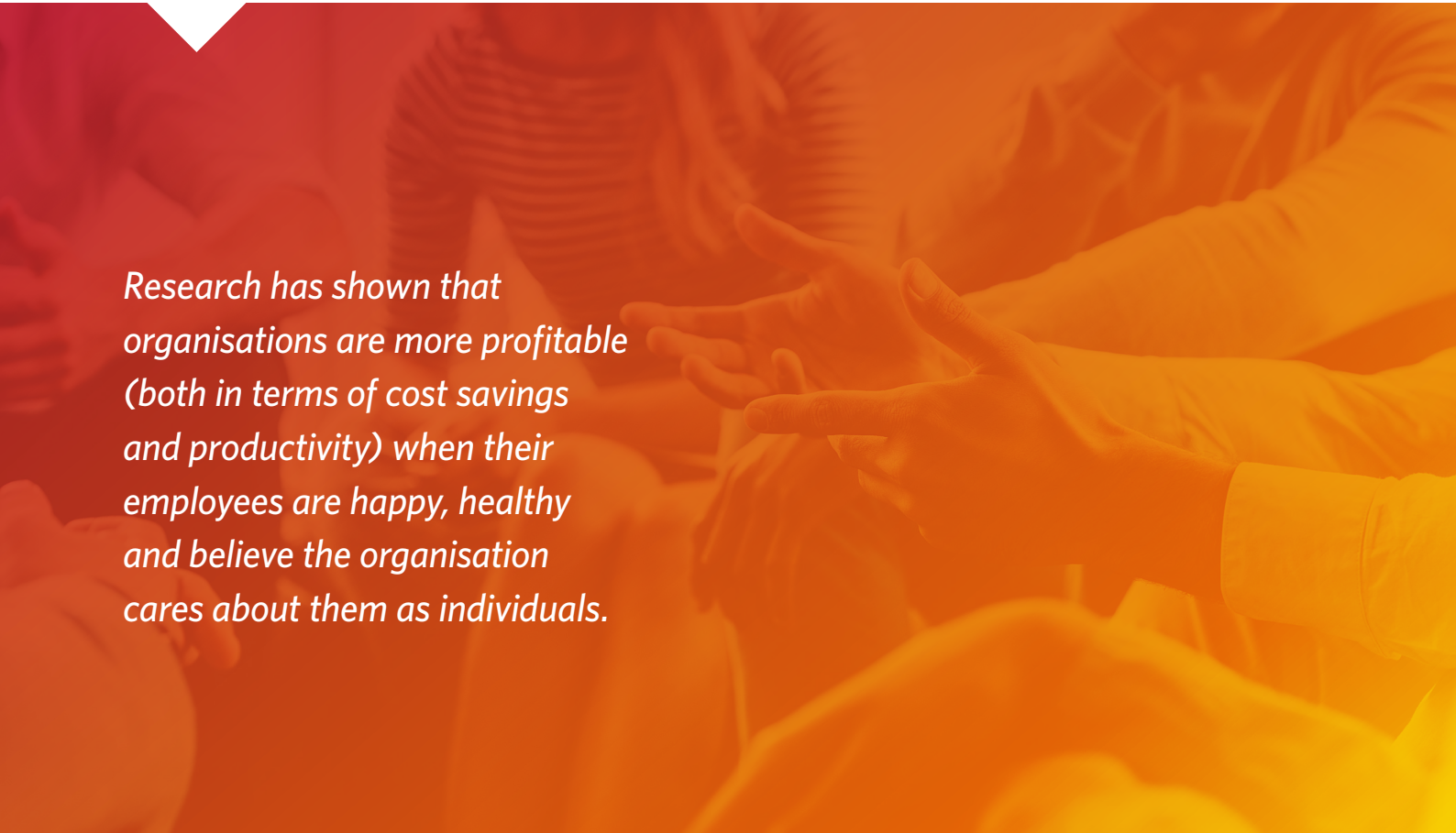
Over 1,000 people took the 2018 Workforce State of the Industry: Employee Engagement survey, presented by Virgin Pulse and Workforce magazine.

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 organisation.”¹ Specifically:

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



Research has shown that organisations are more profitable (both in terms of cost savings and productivity) when their employees are happy, healthy and believe the organisation cares about them as individuals.

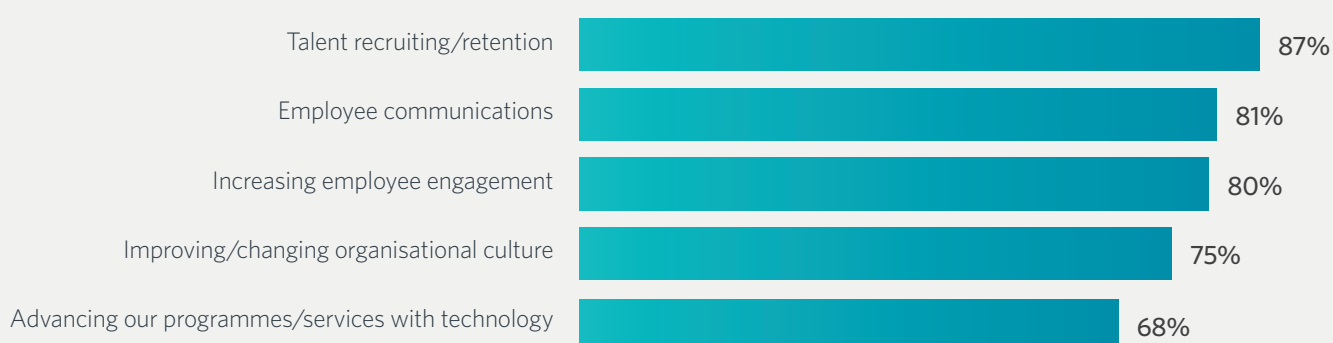
¹ SHRM (2017). *Developing and Sustaining Employee Engagement*.

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 organisations are laser-focused on bettering employee engagement — eight out of ten 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 programmes through technology (Figure 1).

Figure 1: Top Priority HR Initiatives for 2018



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.

Organisations 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, organisations 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 organisations, 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 organisations 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 programmes positively affect work culture. Organisations that seek to improve one will also improve the other.

There's evidence that current efforts are paying off:

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

The results are even better for organisations further along the maturity curve. Organisations with mature engagement programmes are 23 percent more likely than fledgling organisations 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 organisations :

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

— From 2018 Workforce Employee Engagement survey, open comments



of organisations overall currently invest in employee wellbeing as part of their engagement strategy



of organisations with mature engagement programmes have seen an increase in overall employee wellbeing thanks to their engagement efforts

The Employee Engagement Maturity Model — Defined

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

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

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

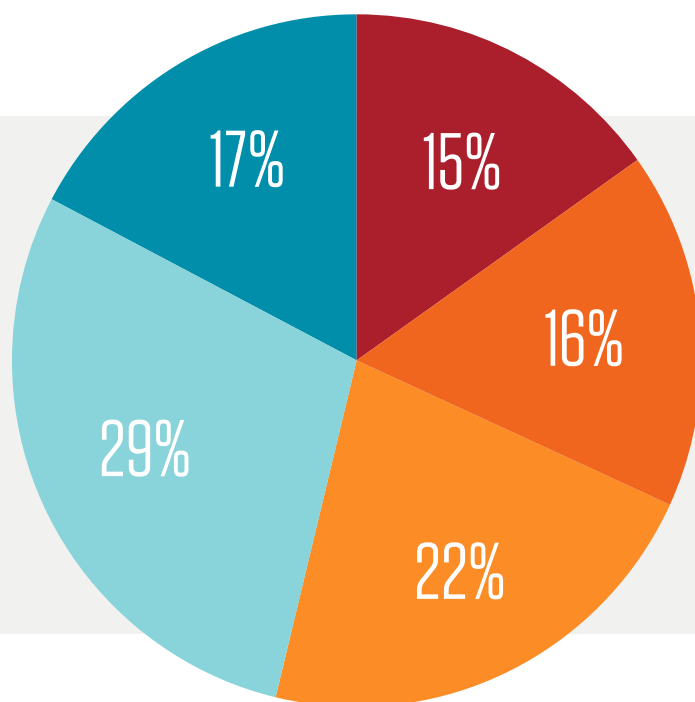
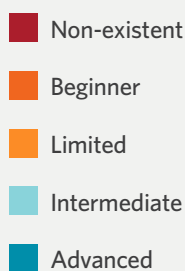
In HR terms, what is a mature organisation?

An organisation 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 organisations – 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 organisation's efforts are intermediate or advanced (Figure 2).

Figure 2:

How developed is your organisation's employee engagement programme?



Programme 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 organisation. We have mapped goals to our organisational strategy/mission.

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

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

Advanced: We have a solid set of integrated engagement programmes that are linked to our organisation strategy, are integrated with other areas, like benefits and wellness and have a demonstrable impact on our organisation.

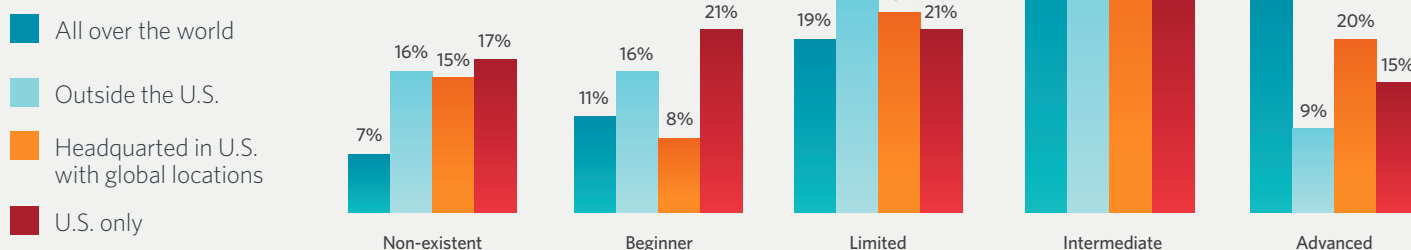
Engagement Maturity Increases with Global Footprint

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

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 organisation (Figure 3).

Figure 3:

Engagement Programme Maturity (by workforce distribution)

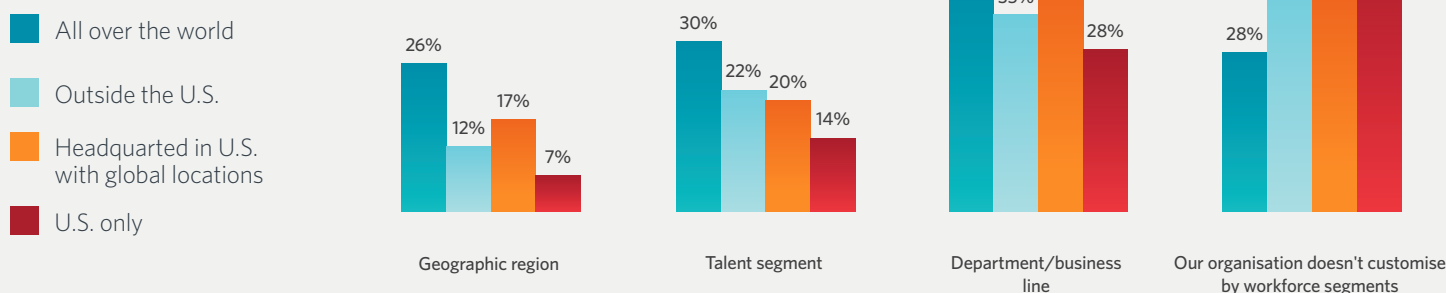


Geographically dispersed organisations face unique challenges regarding engagement. As organisations grow and open locations outside the U.S., they'll need dedicated resources to attract and engage employees in diverse regions.

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

Figure 4 :

Does your organisation customize/personalise engagement effort by workforce segments?



The Success of the Mature Organisation

What are mature organisations doing differently?

By examining organisations that have already achieved engagement success, we can identify a set of best practices for aspiring organisations. For starters, mature organisations have made efforts to link engagement to their organisational strategy, while fledgling organisations have not. Fledgling organisations may have started one or two programmes, 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 organisations 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 organisations simply do more — measure more, assess more and take more into account, with similar budgets to fledglings. For most organisations overall (68 percent), the budget for their employee engagement programmes has stayed the same YOY.

A fledgling organisation 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 organisations (57 percent to 20 percent) to not track employee engagement by workforce segments. And they are less likely than mature organisations to personalise or customise engagement efforts by either department or business line.

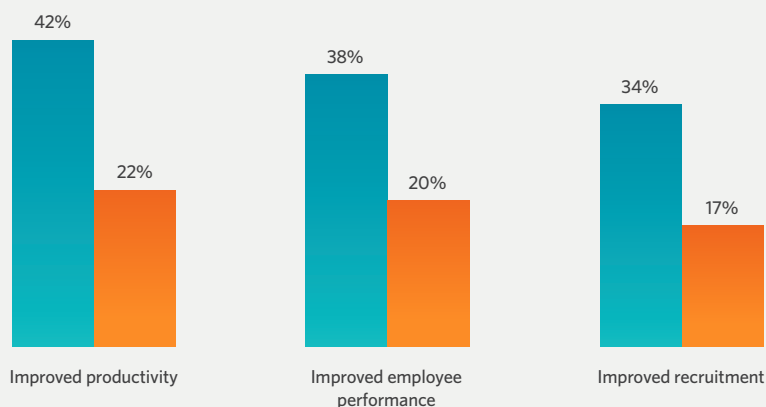
Do mature organisations show greater outcomes from their efforts? Absolutely. Mature organisations report huge gains in engagement and productivity. Better outcomes, reduced attrition, all come from successful use of employee engagement programmes (Figure 5).

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

Figure 5:

Organisational outcomes from efforts to improve employee engagement

■ Mature organisations
■ Fledgling organisations



Self-Reflection

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

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

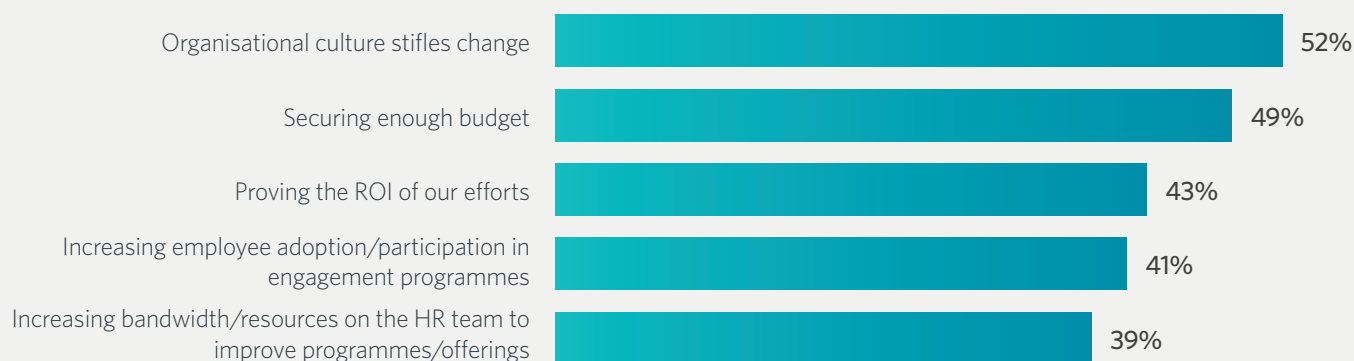
Next, examine potential roadblocks to increasing employee engagement at your organisation.

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

Fledgling organisations say these are all challenges to increasing employee engagement (Figure 6).

Knowing where the challenges lie at your organisation is the first step to achieving higher engagement levels.

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



Moving on Up

How can my organisation mature?

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

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

Does your organisation invest in employee wellbeing as part of the engagement strategy? Mature organisations are 27 percent more likely to report taking wellbeing into account when addressing engagement. Organisations can improve wellbeing with programmes 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 organisation could function more efficiently. What motivates them to feel engaged? Addressing low engagement doesn't always take a big budget or programmes; often, organisations 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.

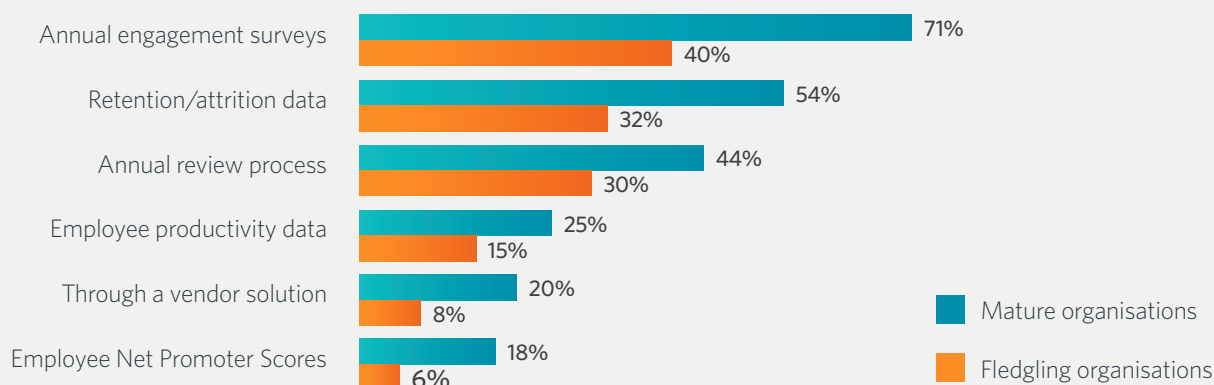
Your organisation might already be measuring engagement

You can also examine already-collected data that might not be used otherwise. Many organisations 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 organisation 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 organisation measure employee engagement?



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. 52 percent of fledgling organisations (and 32 percent of mature organisations) 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 organisation 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 organisations — 90 percent of mature organisations incorporate their mission and values into HR policies and hiring. Also, 93 percent of mature organisations say that their core set of values drive organisational culture. A strong mission and values statement is a good place to start for fledgling organisations looking to improve their place on the engagement maturity curve.

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

Six in ten mature organisations leverage their culture when attracting and retaining talent.

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

86 percent of mature organisations see an improved culture as critically important to driving business outcomes. Among mature organisations , there is a strong belief that organisational 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 organisations 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, organisations 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 organisations 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.

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.

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

[**Examining Employee Engagement: A Panel Discussion**](#) webinar recording

[**The Best Of Employee Wellbeing And Engagement**](#) Toolkit

Appendix

Demographics

Name of survey

2018 Workforce State of the Industry: Employee Engagement

Survey dates

February 2018

Number of respondents

1,009

Functional level of respondents

40.2% are at director level and above

Organisation size

1 to 499 employees: 46.2%

1,000 to 4,999 employees: 17.2%

10,000 or more employees: 16.9%

500 to 1,000 employees: 11.8%

5,000 to 9,999 employees: 8.0%

Geographic distribution

All over the world: 16.4%

Outside of the U.S.: 14.9%

U.S. only: 58.7%

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

Industry

Biopharma: 0.8%

Government: 9.7%

Professional services: 13.6%

Construction: 1.4%

Healthcare provider: 7.8%

Retail: 2.1%

Education: 9.9%

Hospitality: 1.5%

Technology: 5.5%

Engineering: 1.7%

Insurance provider: 3.4%

Telecommunications: 1.2%

Finance/banking: 5.4%

Manufacturing: 9.2%

Transportation: 2.2%

Food: 1.1%

Not for profit: 7.8%

Other: 15.8%

Numbers may not total 100% due to rounding

About

Virgin Pulse

Virgin Pulse, part of Sir Richard Branson's famed Virgin Group, helps employers create workforces that are happier, healthier and ultimately more productive in all aspects of their personal and professional lives. The company's modern, mobile-first platform delivers a personalised user experience that utilizes gamification to engage users in building habits that inspire meaningful and measurable change across individuals and the business. By helping employees thrive at work and in all aspects of life, Virgin Pulse is helping change lives and businesses for good. Unlike narrowly focused employee health solutions, Virgin Pulse's solutions span the full wellbeing spectrum – from traditional wellness to strategic wellbeing – providing organisations with solutions that are appropriate for them today and tomorrow. More than 2,500 organisations representing many of the Fortune 500 and Best Places to Work have selected Virgin Pulse's solutions to engage their workforces and drive their businesses forward.

To learn more, visit www.virginpulse.com.

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