

UNIT4

Employee Engagement Trends

Research by Unit4 Talent Management



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Executive Summary

The relationship between employee engagement and organisational effectiveness has been extensively researched and well documented over the last decade. Identifying the trend is part of the battle, but **knowing how to implement change that will improve engagement, or even being able to measure it remains unclear**. By collecting data from our platform and by engaging our network of senior HR professionals around the world, we have put this report together to provide clarity around what works and what doesn't when it comes to improving employee engagement.

We looked for patterns in the way our users interact with our platform to find common drivers that lead to high engagement scores. The first and most significant finding from our research is the correlation between the number of conversations had between manager and employees and the average organisation engagement score. **Organisations who have a mandatory minimal process**, with scope for employees to have a number of informal conversations throughout the year, a performance management process we call 'the hybrid approach', **score higher on engagement**. In fact, nine out of ten of the organisations using this model are highly engaged, meaning they have an engagement level of 65% or more.

9 out of 10 organisations scoring 65% or more on engagement are having one mandatory conversation and are urged to do more

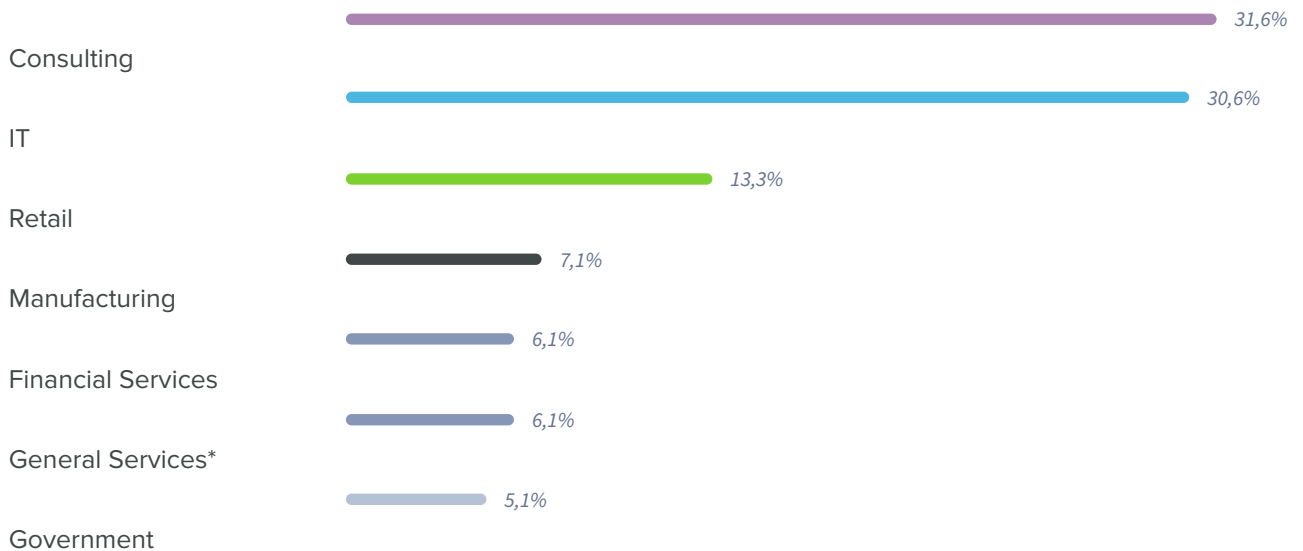
Increasing engagement is an urgent topic that organisations want to address. Having questioned our network of HR professionals, we found that **almost 70% of all organisations questioned have identified engagement as a top priority for 2020**. Interestingly, industries in less competitive job markets, such as government and non-profit organisations, do not include increasing employee engagement in their 2020 agenda.

Reading this report will give you an overview of the factors that have the biggest impact on employee engagement. Moreover, it will give you **actionable guidance on how to start designing your own plan** and where to start on your journey towards boosting your employee engagement rate.

Purpose

The purpose of this research is to understand the current landscape of employee engagement and what has the biggest impact upon it. It's clear that being in a nice working environment, compensation and benefits are important factors, but we wanted to interrogate to what extent they have an impact on engagement and uncover any other key drivers that have a big influence. Through our own research and customer data, we gave ourselves the challenge of answering these questions and dispel some of the myths around engagement.

The study covers 104 organisations, present in the US, Europe and South-Africa. We classified them in the following seven industries:



* The general service sector consists of the production of services instead of end products.

About the research

This research paper consists of two parts. The first part covers a research study undertaken by more than 100 organisations in the Unit4 TM HR network. In this part, we questioned topics such as engagement priority, losing talent over disengagement and measuring employee engagement at their respective companies.

The second part consists of the engagement data captured on our platform. We analysed data from the Unit4 TM platform from January 2018 until November 2019. This section digs deeper into the correlation between conversation regularity and engagement, and explores which drivers impact engagement the most, according to 900 000+ users.

CHAPTER 1

Current state of employee engagement

Employee engagement is starting to become an HR buzzword. For the last five years people have focused on providing a nice working environment and giving people competitive compensation. Based on our previous [performance management research](#) and research undertaken by [Gallup](#), it's clear that regular conversations and alignment with managers is the main driver.

We want you to have clear insights from organisations facing similar challenges, from within the same industry and of a similar size to you.

Lots of recent research has highlighted how disengaged employees are costing your organisation. However, much of the research published on engagement, such as the above Gallup study, focus on large corporates and garner results that are often hard to relate to and seldom reflect the challenges faced by smaller businesses.



Why a high engagement culture matters

When employee engagement is low there is an **impact on productivity, retention, motivation and general wellbeing** at work and at home.

It's no surprise that an employee who loves coming into work, feels supported by his or her manager and feels like they're in an environment they can thrive in is likely to produce better results than someone who drags themselves to work to do a job they don't particularly like, just to pay the bills. Of course, external factors can influence an individual's engagement, but if you want to have any impact on employee engagement across your organisation, you must take stock of the engagement initiatives you already have in place before putting a plan together to address areas you fall short in.

Combined with selecting the right managers and individual contributors, a culture of employee engagement can lead up to:

51% Higher growth potential

18% Higher revenue per employee

Why is increasing employee engagement so tricky?

Increasing employee engagement is tricky because there are so many drivers you have to take into account, some of which are out of your control. There's a broad number of drivers that influence employee engagement. These drivers are different for every organisation which means there is no one size fits all solution. Keeping in mind that humans are complex beings, it is hard to know where to start when it comes to knowing how best to engage them.

Your very first step should be to understand how your system works and the drivers you believe have an impact on engagement specific to your business.

Only when you have done this can you start to interrogate where you are doing well and areas in which you could improve. Once you have a view over the independent variables contributing to the overall engagement of your organisation, you need to set a benchmark and then have a way to measure your progress, which is difficult without the use of a tool.



CHAPTER 2

Research Results

Employee engagement is more than a score for HR. Until recently, measuring engagement meant sending out one yearly survey that took so long to fill in, process and eventually action that by the time the results were returned they hold little relevance. Now, with the **flexibility to send out frequent pulse surveys** with no more than a few targeted questions, organisations can **capture snapshots of how a particular team or even an individual is feeling about their career in a specific time period**. Engagement is not a result, it is and should always be part of your organisational strategy. By measuring engagement correctly, managers can take actions at the right time and predict outcomes such as employee turnover or absenteeism.

In this research, we asked organisations three main questions:

1. Do you actively measure employee engagement?

2. Are you currently losing talent over disengagement?

3. Is increasing engagement a priority for 2020?



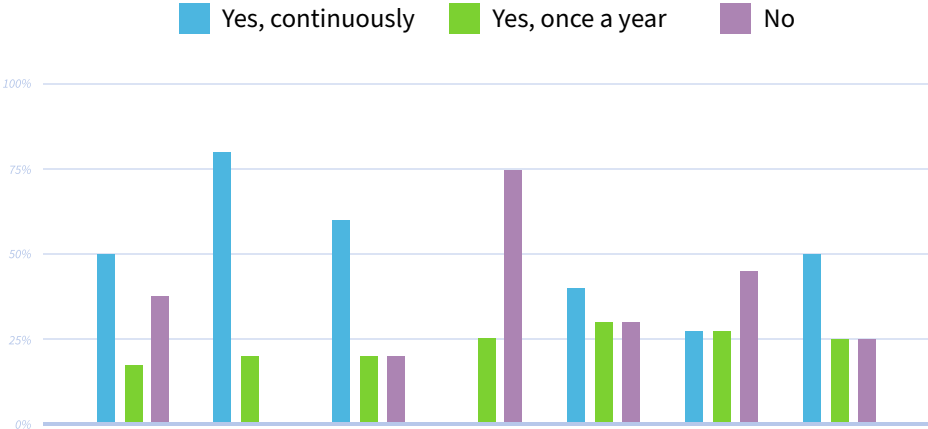
Do you actively measure employee engagement?

Almost 50% of the organisations that took part in our study reported to actively measure employee engagement, which in this instance means that they measure it more than twice a year. 32% of organisations aren't measuring it at all. **When you measure employee engagement, it doesn't automatically mean that engagement levels will be good or go up.** The actions that you take based on engagement results are what makes your employee engagement climb.

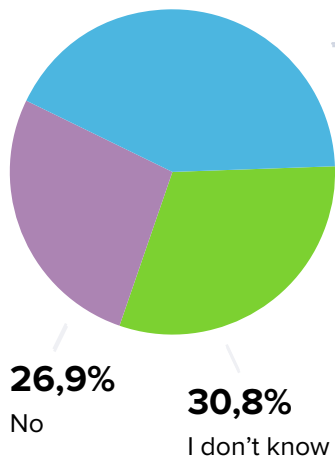


The amount of companies that actively measure engagement differs from industry to industry. In the graph below, we can see that 75% of organisations questioned in government and non-profit organisations say they don't measure employee engagement. This is a big contrast with financial services where 80% measure engagement continuously.

Actively measure engagement



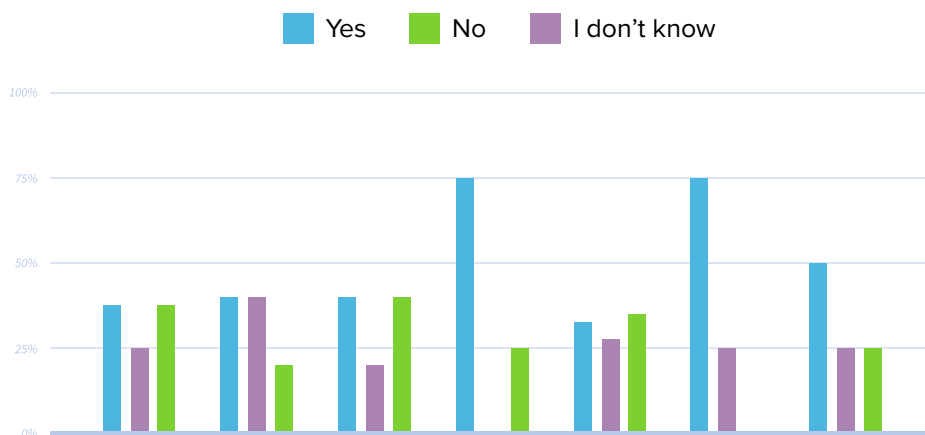
Are you currently losing talent over disengagement?



— **42,3%** of HR leaders questioned, say that they are losing talent over disengagement.

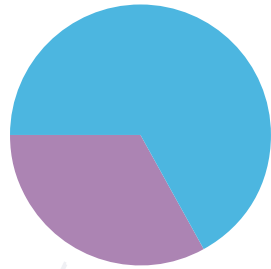
However, 30,8% of them responded saying that they don't know why their employees are leaving. **The main reason organisations are losing talent over disengagement is because they do not take clear or timely actions.** If you measure engagement, the people questioned will expect an outcome. It's important you don't measure engagement for the sake of it and fail to do anything with the results. Sometimes it can be hard to ask questions you might not want the answer to but only by using the feedback you receive to make positive change across the business can you start to increase the overall satisfaction of your employees.

Losing talent over disengagement per industry



It appears that both government 75%, and manufacturing 71%, know they are losing talent over disengagement, but acknowledge that they aren't measuring engagement.

Is increasing engagement a priority in 2020?

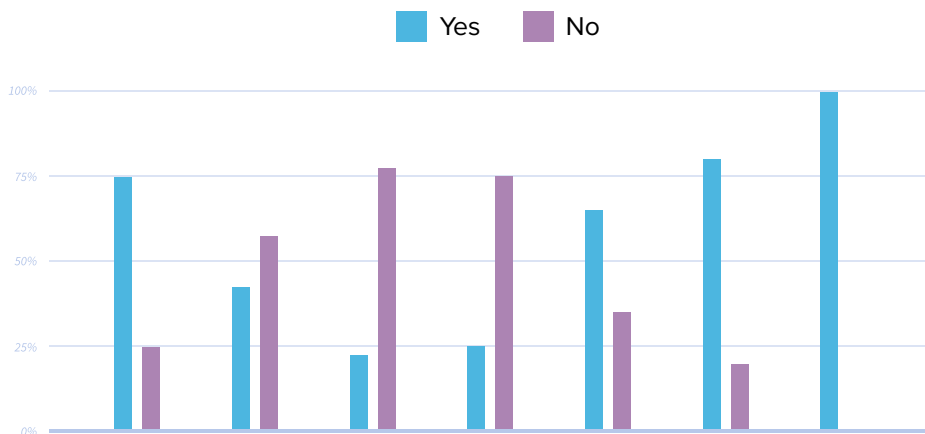


33,7%
No

— **66,3%** of organisations questioned have engagement as a priority for 2020.

From our research, it became clear that increasing engagement is a priority for almost 70% of the HR managers questioned. Again, we can agree that only measuring engagement is not enough to stop losing talent over disengagement. What is important, is that behind measuring engagement there are actions, such as organising one-on-one conversations or realigning on objectives, to increase employee engagement scores and make employees feel like they're being heard.

Is increasing engagement a priority?



It appears that even though organisations in government and non profit know they are losing talent over disengagement, they don't have increasing engagement as a priority for the coming year. However, **organisations with highly competitive profiles such as consulting, retail and IT are the most interested in increasing engagement next year.**

CHAPTER 3

What impacts employee engagement

For our previous research on performance management trends, we researched the most impactful performance management approach. When writing that research, we considered which of these four models has a high and positive impact on engagement.



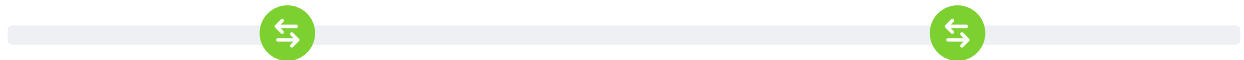
Conversations

From our platform's data, we see a **direct impact between the performance management approach chosen and the average engagement score**. The traditional method, which only has one yearly appraisal per year, is very time consuming and discusses outdated objectives. However, it appears that regular follow-ups have a big impact on employees' engagement levels and the organisation's culture.

In our [previous research](#), we identified the 4 most common performance management processes:

1. The traditional method

One or two mandatory conversations every year. Yearly appraisal and mid-year review.



This process is characterised by a fixed set of questions designed by HR. Objectives are set at the start of the year and never updated, this makes them irrelevant after one quarter.



2. The Drumbeat

Three or more mandatory conversations per year.



There is a close follow-up between the manager and the employee. Objectives are relevant since they are actively reviewed each quarter.

3. The hybrid model

At least one mandatory conversation per year, encouraged to have more conversations.



In this model, conversations are light and not focused on competencies. A lot of awareness is created around leadership training. Managers are coached on how to give feedback and the importance of objectives and key results. Manager and employee sit together regularly and there is an open culture of feedback and communication.

4. The freedom approach

No mandatory approach.



Teamleaders and employees are free to choose whether or not they want to conduct any conversations. This can range from no conversation at all to 30 one-on-ones per year. This only works in an open culture where coaching, feedback and follow-up are deeply embedded in the culture and come naturally. Usually, this approach contains **many informal conversations.**

Highly engaged organisations

We reviewed each company based on their engagement score to categorise them as low or highly engaged companies. This gave us valuable insights into what performance management process is most common in highly engaged companies.



Companies scoring 65% or more on engagement

56%
use the Hybrid model.

23%
use the Traditional method.

21%
use the Drumbeat.



Low engaged organisations

After noticing the majority of highly engaged companies are using the Hybrid method, we checked if the correlation is the same for companies with low engagement.

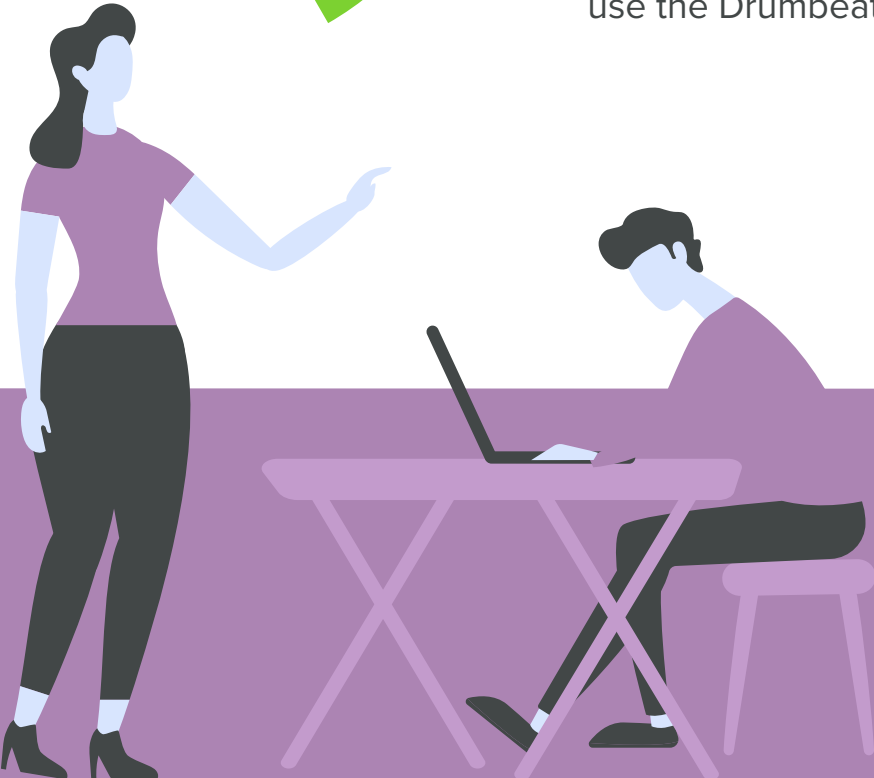


Companies scoring below 65% on engagement

44%
use the Traditional method.

33%
use the Hybrid model.

22%
use the Drumbeat.



The top three best performance drivers

Multiple drivers influence employee engagement, Gallup have identified a series of 13 key drivers that they believe affect engagement the most. Worth noting that these items measure issues that managers or HR have control over. Based on Gallup's Q12, we have selected the ten most impactful engagement drivers, each of which is a contributor to overall engagement and have clear actions you can take in response.

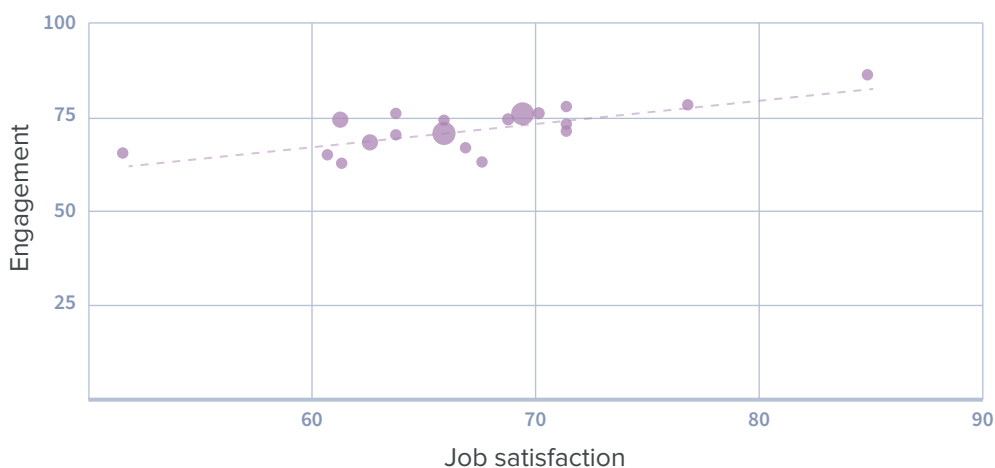
These drivers include: **Ambassadorship; Empowerment; Relationship with managers; Relationship with colleagues; Job satisfaction; Personal growth; Feedback; Recognition; Company alignment and Happiness.**

For this research, we analysed which of these drivers have the biggest impact on engagement.

Driver: **Job satisfaction**



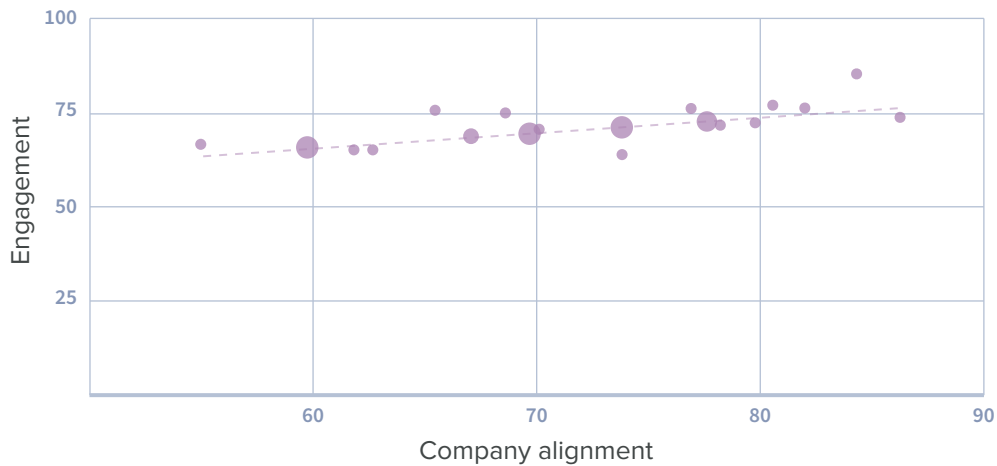
Besides the feeling of contentment, how meaningful your employees' job is appears to be the driver that influences engagement the most. In our data we were able to identify a **correlation of almost 73% between job satisfaction and high engagement.**



Driver: **Company alignment**



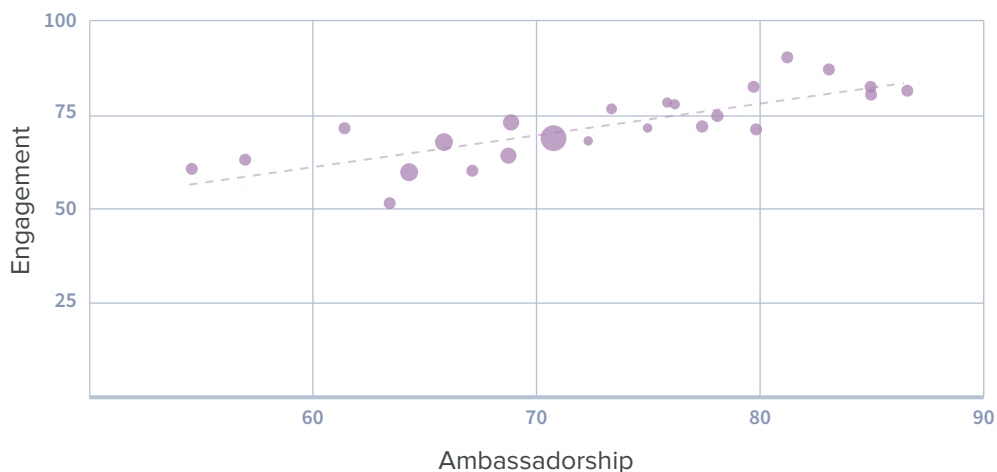
For 64% of the organisations that use Unit4 TM, the more aligned employees are with the organisation, the more engaged they will be. When employees' activities and goals are integrated and aligned with the organisation's strategic plan, we see a strong and positive impact on overall engagement levels.



Driver: **Ambassadorship**



Your employees are the advocates of your organisation, they influence your organisation's branding. High ambassadorship creates employees who know, love and sell your organisation's brand. It could be obvious, in a culture where your people feel like they want to be ambassadors for your business, they better their engagement will be. Observe in the graph below that **6 out of 10 organisations will increase their engagement if employee ambassadorship rises.**



Conclusion

From our research, it's clear that **increasing employee engagement will be a focus for HR teams in 2020** with almost 70% of those questioned agreeing that it's a top priority. Right now, almost half of all organisations questioned continuously measure employee engagement.

It is also true that **45% of organisations currently lose talent over disengagement**. The main reason for this is that organisations either don't measure engagement, or when they do measure it, they don't take any specific actions.

The most important research finding is that **56% of the highly engaged organisations are using the hybrid approach to their performance management**, meaning they have at least one mandatory conversation and are urged to do more. However, our data shows that most people that are using this approach have at least four more formal conversations per year.

9 out of 10 organisations that use the hybrid model are highly engaged, meaning they have engagement levels of 65% or more.

We also identified the drivers that have the biggest impact on high employee engagement: job satisfaction, company alignment and ambassadorship. Employees need to understand how they are contributing to the enterprise and the way managers interact with their team has a big influence on employees' job satisfaction.

We have seen many organisations that measure employee engagement but cannot raise their engagement levels. The main reason for this, is because they don't take the right actions in response to their findings. When you measure employee engagement, it's very important that manager/HR and employee have the right expectations. **When employees give their honest (anonymous) opinion, they expect you to either implement changes or communicate about the issues that arise in the pulses.** If you don't do that, measuring engagement will create more harm than do any good. If employees are honest, and tell you that something is bothering them but you don't do anything, you are more likely to find disengaged employees.

Many organisations also think that increasing or measuring engagement is a big burden and takes a lot of time and includes changing processes. In most cases, this is not true. **You can increase engagement by simply talking to your employees, discovering what's bothering them and making small adjustments.** Moreover, HR don't have to be the ones doing all the heavy lifting. With Unit4 TM, managers can very easily consult their team's engagement levels and take targeted action.

Start Today

How do you currently measure engagement?

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What does your ideal pulse look like?



What are your three main bottlenecks?

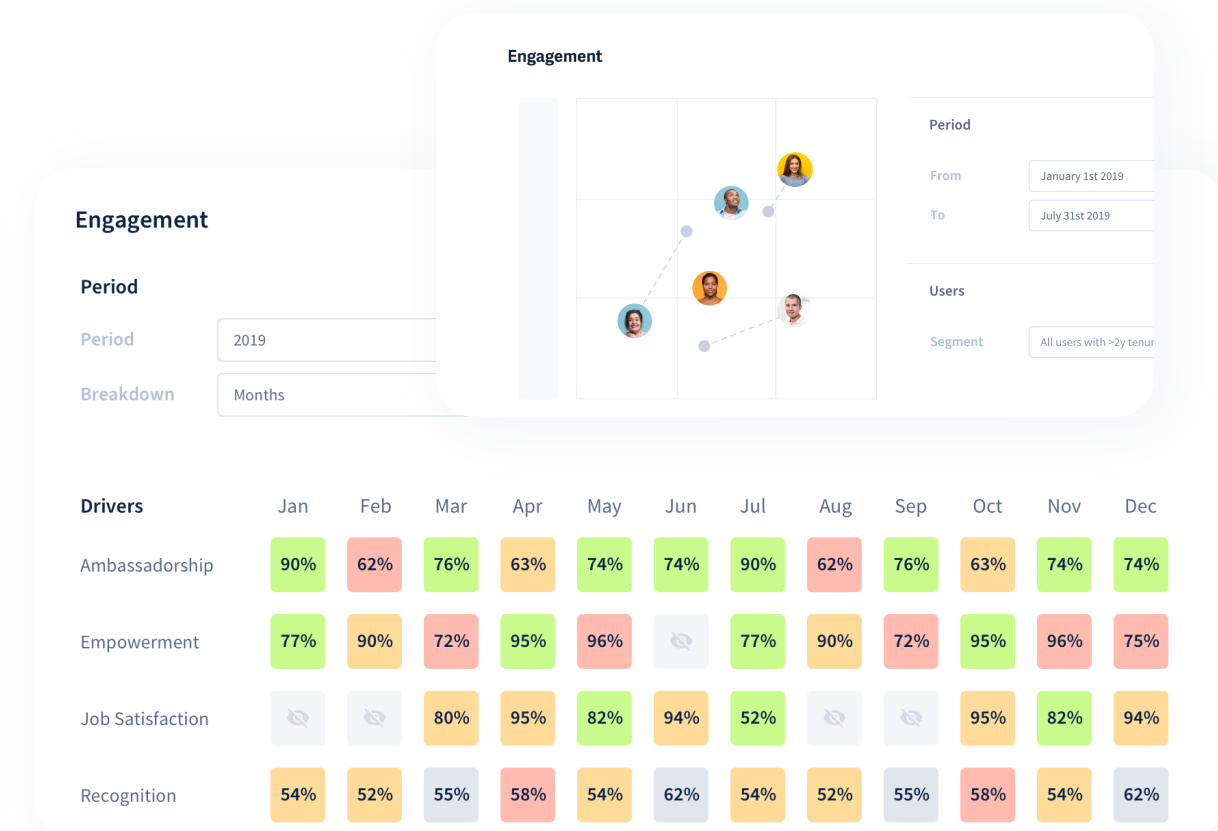
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Directly impact your employees' engagement levels

Automate your engagement surveys with intuo's software solution. Send out as many anonymous surveys as you like on your chosen topics, or use our own library with more than 1000+ questions to gain real-time information on how your employees are scoring. Take action based on intuo's result mapping and smart suggestions.



Want to receive more information?

Get in touch

UNIT4

Use the Unit4 TM tool to discover your pain points, get to know what drives engagement within your organisation and what drivers need more attention.

Take action based on anonymous replies to increase overall employee happiness and performance.

Contact dunya.polvan@unit4.com
