



the state of employee engagement: fall 2014



modernsurvey



Introduction

Employee engagement is at levels not seen since before the recession — yet the number of employees who are looking for new jobs at different organizations continues to rise.

That is according to Modern Survey's latest research, which surveyed 2,000 full-time, U.S. employees to get the latest picture of employee engagement.

It is clear employers cannot rest on their laurels

despite high engagement levels. They will need to stay on top of this dynamic situation as even engaged employees are considering greener pastures.

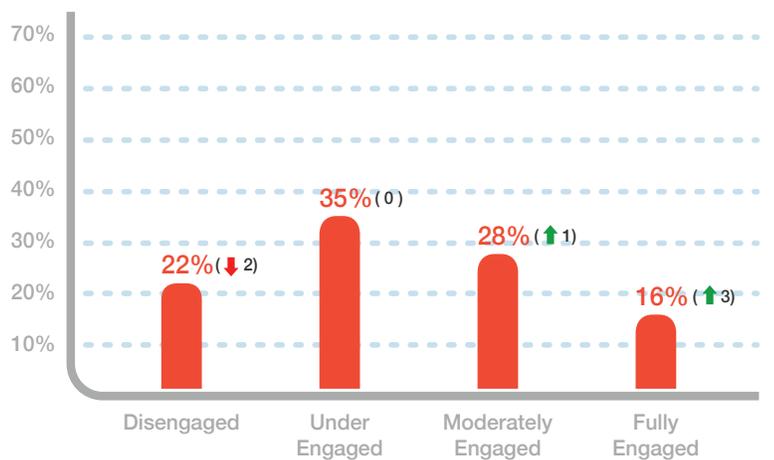
Engagement is up, but people are looking

The engagement index is composed of questions based on these factors: employees' intent to stay at an employer over time, whether they are inspired to give extra effort, whether they are willing to refer the employer as a great place to work, their level of pride in the organization, and their individual sense of future at the organization.

According to the Fall 2014 results, the state of employee engagement is very positive. The study found that 16 percent of employees are engaged — the highest level seen since Modern Survey began conducting the study in 2007. Engagement has gone up three points since Spring 2014. In addition, disengagement is at its lowest level since Modern Survey began conducting the study in 2007, down two points from Spring 2014 to 22 percent.

The situation is a bit like musical chairs, says Modern Survey President Don MacPherson. "People who were disengaged for a long time have left and are now in a honeymoon phase," he says. "As the economy continues to improve, people are feeling more confident about their organizations' futures and getting more career development opportunities," both of which are strong drivers of engagement.

U.S. Engagement Levels



(numbers in parentheses represent the percent change from Spring 2014)

Reason for Changes in Engagement

As unemployment continues to drop, disengaged employees realize they have options elsewhere. Opportunities open up, and disengaged employees are finding new jobs where they are more engaged.

An influx of new employees brings enthusiasm into the workforce. Turning enthusiasm into engagement is not easy, but it is easier than engaging someone who has been disengaged for some time.

But while engagement is up, MacPherson says more people are also looking for new jobs. The research found that 28 percent of all employees are currently looking for a job at another company. This number has gone up three points in the past six months. More worrying, a quarter of engaged employees (24%) are looking for new jobs — a higher percentage even than under-engaged employees, which come in at 19 percent. “For leaders and CEOs, it is even more important to engage employees, because they are looking,” MacPherson says. “There is movement to higher engagement, but also movement to look outside the company for the next opportunity.”

MacPherson says some employees may have been dealing with salary freezes as companies weathered the recession and they want to get back on pace. “Many feel they need to leave their current organization to get a big bump in pay or a new and challenging position,” he says. “The feelings toward the organization may be more positive than they were a couple years ago, but they’re still going to look.”

Who Wants to Leave?



What should companies do?

This scenario can be confusing for employers — on the one hand, engagement is up. On the other hand, if employees are looking, that means increased turnover and training costs, plus a hit to engagement if the employees who leave were engaged. And if those employees are leaders or managers, the toll is even greater.

“The challenge for companies in the coming months will be to maintain and retain,” MacPherson says. “It is a very odd environment. Normally when there is high engagement, there is high retention, but that is not the case right now. Leaders should

strive to maintain high levels of engagement and ensure they have a strategy in place to keep their key talent.”

Focusing on what the organization needs to do to make engagement possible — particularly building a culture of trust and putting a spotlight on the organization’s values — is a good start. Then leadership needs to step up to ensure employees get growth and development opportunities and have confidence in the future of the organization. Finally, very candid conversations need to happen at the employee level, including stay interviews.

Stay interviews in particular can help organizations hold onto engaged but looking employees by finding out what they would need to be inspired to stay. “It’s a shame to

lose a valued and productive person in the organization but it’s shameful if it could have been prevented simply by having more open and honest communication,” says Michele Mavi, director of internal recruiting at Atrium Staffing. She implemented a stay interview process at Atrium last year that helped the organization learn about each employee as an individual.

“We restructured and shifted some responsibilities, and offered a few promotions,” she says. “These changes didn’t happen overnight, but over the course of six months, morale was definitely boosted and people generally seem happier as a result.” Stay interviews offer an important opportunity for employees to be heard and to share their points of view, she says, and listening to them goes a long way.

Building a culture of trust

In order to make engagement possible, you need trustworthy leaders. Modern Survey's research indicates that 95% of fully engaged employees say they trust their direct manager. The same percentage of fully engaged employees say they trust their senior leaders.

Establish these leaders as role models, says Liz Monahan, global head of human resources at Quintiq, a supply chain software company that puts a priority on a culture of trust. "You can have all the basics in place, but if there is not a strong leadership culture ingrained, the company will have a hard time building trust," she says. "That leadership culture should be one where leaders consistently follow through on what is promised and if something is not going well, openly communicate what is going on as soon as it is known."

Dave Witt, an employee engagement expert at The Ken Blanchard Companies, agrees that trust is easy to break. "A lot of leaders, even very well-meaning ones, have a hard time saying no to things," he says. "So they say yes, and they say yes to too many things. When the deadline comes, they find themselves not able to deliver on what they promised." Such a leader may think of themselves as trustworthy, Witt says, and

"A lot of leaders, even very well-meaning ones, have a hard time saying no to things."

Dave Witt of The Ken Blanchard Companies

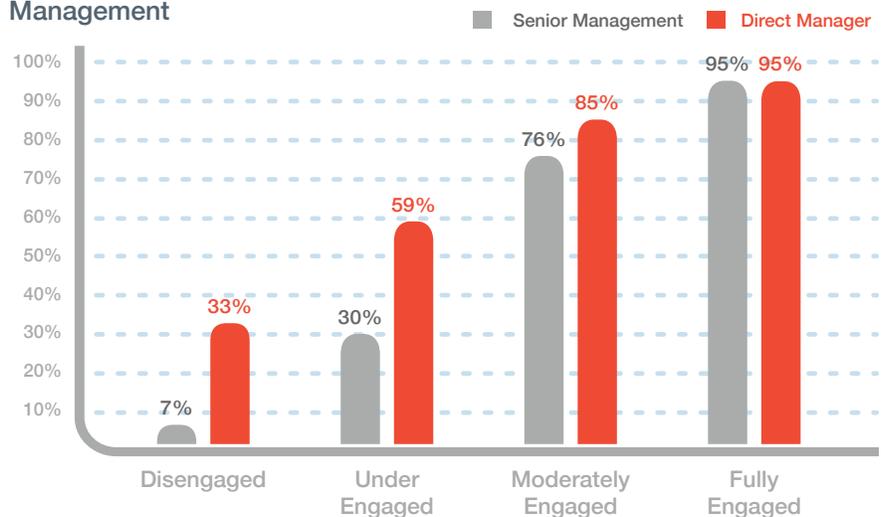
may be surprised to find out that people see them as less than believable.

Give examples for what good leadership looks like at your organization, Witt says. "You may say that leaders have to have high integrity and be dependable, but we might have different ideas of what that looks like

in action," he says. Take the time to spell out and find examples of what integrity and leadership look like in your organization. In addition, find ways to celebrate it and point it out when you see people putting it into action.

Transparency is a key part of trust in leaders, says Eileen Timmins, global human resources executive and adjunct professor at DePaul University. Leaders need to provide information when they can, and be open and honest when they cannot. "Millennials in particular are demanding this," Timmins says. "They will ask the question. And if you don't build trust, they will leave. They will have no problem leaving and getting another job."

Percent of Employees Who Trust Management



Company values

Employees are 51 times more likely to be fully engaged when they know and understand the company's values, Modern Survey's research finds. Of the people who say they work for an organization without values that are known and understood, only 1 in 260 are

fully engaged. The absence of values makes full engagement almost impossible. "Organizations have to create examples of what the values look like in action," Witt says. "Everybody has values of being 'honest' or 'ethical,' or putting a value on relationships, but you've got to ask, what does that look

like? If someone has that value, what would they be doing? It helps to make a clear picture."

Timmins suggests listing company values as competencies in job descriptions and including their practice in performance

reviews. Some organizations may incentivize values, providing a bonus based on how employees model them in their day-to-day work. “Make sure it’s just as important as any other business objective,” she says.

Organizations can embed their values into the performance appraisal process by assessing not only what an employee got done, but also ensuring they got it done within the framework of the organization’s values.

Additionally, values driven organizations often recognize employees who exemplify the organization’s values. That is a strong way of reinforcing the importance of those values.

Growth and development

Employees are looking for growth opportunities at work, and MacPherson says a sense of personal opportunity for growth and development is poised to take the spot as the top driver of engagement soon.

Providing opportunities for development can boost both engagement and retention, Timmins says. This may include cross-training, personalized career tracks,

leadership roles on team projects or the opportunity to work on an innovative project.

Monahan recommends reinforcing your organization’s values and culture by tying them in with development programs. Basing job competencies on those values and establishing plans to develop those competencies can create the kind of leaders you need and retain them as they move up the ladder.

While many people think of promotions as a big part of growth and development, that is not necessarily what employees want. Many employees will be motivated simply by improving the capabilities required to do their current job. Leaders should have conversations with their direct reports about what development means to them at the individual level and how they would like to grow.

Confidence in the future of the organization

After the difficulties of the recession, employees may be experiencing a crisis of confidence in the future of their organizations. They may feel battered by economic uncertainty and be craving safety and security, MacPherson says. If an organization has gone through serious layoffs or slow sales, employees may have had lower levels

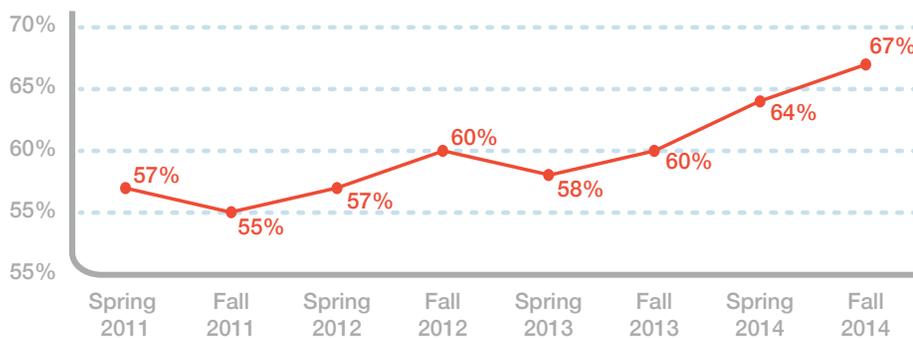
of confidence in the organization.

Employees in general are feeling better about their organizations. Two-thirds (67%) of the U.S. workforce responded favorably that they have confidence in the future of their organization. That is up from just 55% in Fall of 2011. That sentiment is not the same at every organization, however.

“Of course there are organizations that are still struggling,” says MacPherson. “If CEOs and other executives at these organizations expect to keep their employees, especially their best ones, they better develop a clear road map for how they will steer the organization to better days.

“Failure to create this road map and communicate it effectively to employees will be disastrous. Top talent will be picked away relentlessly as competition for high performers increases.”

Confidence in Organization’s Future



An improving economy and new hires can boost employees’ confidence. Communication from senior leaders about the future — new markets, a renewed sales sector, a new focus on long-term planning — can also help employees feel confident about the organization’s future, as well as their own roles in it.

How to retain engaged leaders

Engagement across the board is important. But, engagement of a critical manager has higher stakes than the engagement of a rank-and-file employee. Fortunately, managers

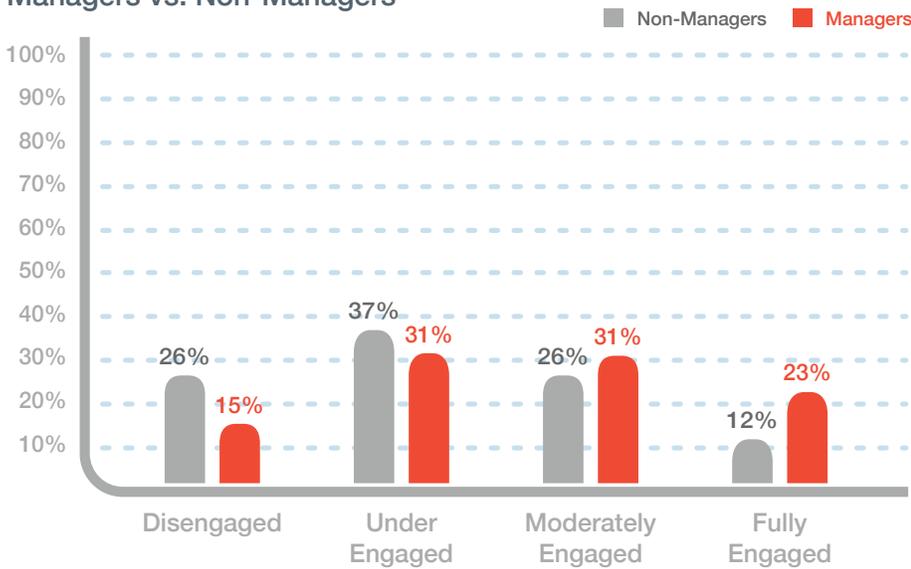
are nearly twice as likely to be fully engaged as non-managers (23% to 12%). To find out what will keep engaged, high-level employees at your organization, experts recommend that you start a conversation.

“Organizations are often surprised when a leader decides to leave an organization,” Witt says. If the departing employee is asked why

“Just because someone’s performing well doesn’t mean you don’t want to invest any time in them. Check in with them regularly.”

Global Human Resources Executive and Adjunct Professor at DePaul University, Eileen Timmins

Engagement Levels of Managers vs. Non-Managers



they are leaving, the response is often, ‘No one asked me to stay,’” he says. Talk to them before the critical moment arrives. “Ask them what may make them leave,” he adds. “Just because someone’s performing well doesn’t mean you don’t want to invest any time in them. Check in with them regularly.”

In addition, do not assume it is all about the money, Timmins says. “Money isn’t always what they want. It may be more time off, a sabbatical, a rotation overseas or in another department or the opportunity to work from home. It is as diverse as the employees. You have to ask them and you can’t assume anything.”

Conclusion

The high numbers of engaged employees may imply that employers can celebrate and relax. That is simply not the case. Keeping the momentum going and retaining engaged employees at all levels in the organization will be important issues in the months ahead.

Ensuring that the organization is doing its

part by creating a trustworthy environment that is supported by clearly articulated values will provide the necessary framework for engagement to exist. Once that framework is in place, leaders should focus on driving engagement by providing employees with growth opportunities and giving them a road map for where the organization is going and how it will get there. While there are other drivers of engagement, these two are by far the most important right now.

Savvy employers will continually monitor their employees’ engagement levels. They will also be certain not to forget that engaging their leaders is often even more critical than engaging their individual contributors.



about us

Modern Survey measures workforce intensity — that fire in your company's belly that makes all things possible. Our human capital measurement software combines feedback, benchmarks, and data from enterprise systems to elucidate the correlation between employee performance and company success. We analyze the stuff your talent management system can't — so that you know what to do next.

We are Modern Survey. And we are relentless.

Find us at www.modernsurvey.com.

1209 Tyler St. NE, Suite 170

Minneapolis, MN 55413

(866) 876-8242

modernsurvey.com

© 2014 Modern Survey

