The Rules of Employee Engagement

Communicating, Collaborating and Aligning with the Business

August 2012

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~ Underwritten, in Part, by ~

Aberdeen *Group*
A Harte-Hanks Company

Executive Summary

Organizations that effectively engage employees gain competitive advantage. A well-executed employee engagement strategy can dramatically impact the business by improving retention, performance, and productivity. Although many organizations are quickly embracing engagement, designing and implementing an enterprise-wide program is a daunting challenge. As a result, engagement levels are in danger and organizational performance is at risk. In order for organizations to motivate employees and drive organizational growth, employee engagement needs to be ingrained in the company culture. This study of 258 organizations, conducted in June and July 2012, will explore how best-practice organizations are building results-driven engagement programs, aligning objectives with business objectives and leveraging world-class technology to achieve results.

Best-in-Class Performance

Aberdeen used the following three key performance criteria to distinguish Best-in-Class companies for Employee Engagement:

- 71% of employees exceeded performance expectations, compared to 14% of employees of Laggard organizations
- 85% of 1st choice candidates accepted an offer, compared to 8% of Laggards
- 72% of employees rated themselves highly engaged, compared to 9% of employees of Laggard organizations

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Gaining the support of both senior executives and managers in driving these programs across the entire organization
- Fostering a culture of transparency and bi-directional communication between employees and managers
- Aligning employee engagement metrics with overall business metrics such as retention, performance and productivity

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Incorporate employee engagement in an integrated talent management strategy, aligning with areas such as performance, learning and onboarding
- Strengthen rewards and recognition programs to help drive employee engagement
- Invest in technology to provide a more innovative way to engage employees

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Chapter One:
Benchmarking the Best-in-Class

Business Context

Employee engagement fuels organizational growth. The correlation is hard
to deny. If employees are engaged in their work environments, they are
more likely to perform at optimum levels. Senior leaders recognize this
impact and are quickly embracing employee engagement as a core value of
the business. It was even cited as one of the top five business priorities
according to Aberdeen's global 2011 Quarterly Business Review, which
surveyed over 1300 business leaders.

Despite the recent momentum, engagement levels are still dangerously low
for many organizations. As today's workforce grows in complexity, simply
launching a survey around engagement is not enough. Organizations need a
systematic approach for monitoring, measuring and in some cases,
revamping employee engagement programs. Yet, the process of engaging
employees requires a level of transparency that many organizations are
reluctant to embrace. As a result, only 31% of organizations have a formal
strategy for designing, implementing and measuring employee engagement
(see Figure 1).

Fast Facts
√ Only 31% of organizations have a formal employee engagement strategy

Figure 1: Formal Engagement Strategy in 2012
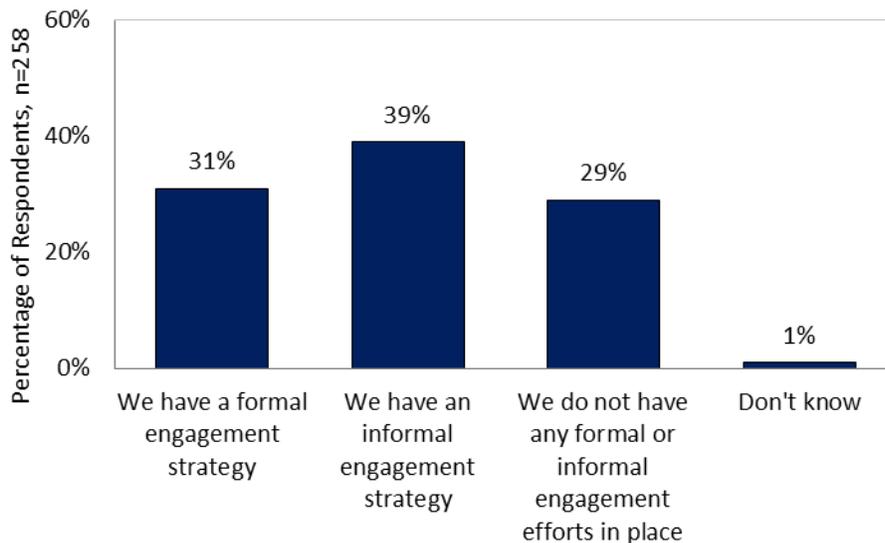
Source: Aberdeen Group, July 2012

In order to formalize a strategy, organizations must recognize that
engagement is not simply a buzzword. It is a powerful tool intended to
empower the individual to improve the business. In the following pages of

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this report, we will explore how organizations are achieving results through a more strategic approach to employee engagement.

The New Age of Engagement

Employee engagement may sound simple in theory but in today's global economy, it is an incredibly complex undertaking. Factor in workforce demographics, the explosion of social media, and a flexible workforce and many HR leaders feel paralyzed when executing an engagement strategy. As a result, organizational performance is often compromised. The top pressures facing today's organizations are all driven by business pressures include productivity, retention and agility (see Figure 2).

- **Productivity**: In order to gain competitive advantage, organizations need to improve overall productivity. Productivity is not a result of the number of hours spent in an office, it is a result of employee engagement during those hours. Unsurprisingly, 45% of organizations identified the need for improved productivity as a key pressure influencing engagement efforts. Productivity is measured by the ratio of the volume of output to the volume of input and typically incorporates hours worked, number of employees and project timeframes. The link between engagement and productivity is inherent. If employees are engaged in their workplace, they will feel a greater obligation to increase their production.

- **Retention**: As the economy begins to recover and jobs become more abundant, many employees begin to seek new job opportunities. This mass exodus of top talent is not a new phenomenon and can have a crippling effect on any organization looking to improve growth. Twenty-eight percent of organizations identified retention as a top pressure facing engagement strategies. Engagement efforts can help to counteract retention issues by ensuring that top talent does not feel stagnant in their roles during a weak economy.

- **Agility**: Based on today's economic climate, the future direction for many organizations is uncertain. It requires a more flexible and agile workforce to handle increased internal and external demands- a top pressure cited by 25% of organizations looking to adopt engagement strategies. Employee engagement strategies can create a trusted partnership between employer and employee so that both parties are working together to tackle unexpected changes in business direction.

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Figure 2: Pressures Driving Engagement in 2012
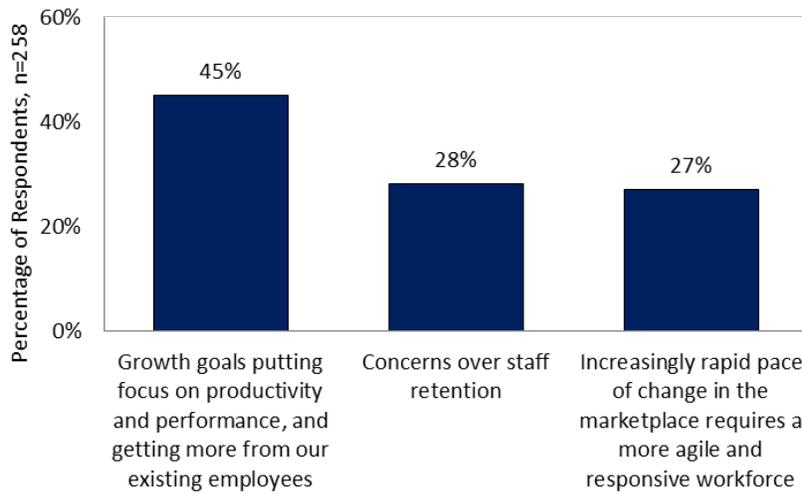
Source: Aberdeen Group, July 2012

In order to respond to these business pressures, employee engagement programs need to encompass not only full-time employees but also contingent workers. The contingent workforce is growing as both employers and job seekers recognize the benefits including greater diversity and lower costs. According to Aberdeen's 2011 _Contingent Labor Management_ report, 22.5% of the average organization's workforce is considered contingent, and 25% is expected to be contingent in 2012.

Despite the growth and opportunity of a flexible workforce, the majority of employee engagement efforts do not include contract or contingent labor (see Figure 3). By excluding contingent labor from engagement strategies, these workers may not produce as quickly, remain with organizations for the duration of critical projects, or adapt to rapid changes in the business.

Figure 3: Employee Types Included in Engagement Programs

Source: Aberdeen Group, July 2012

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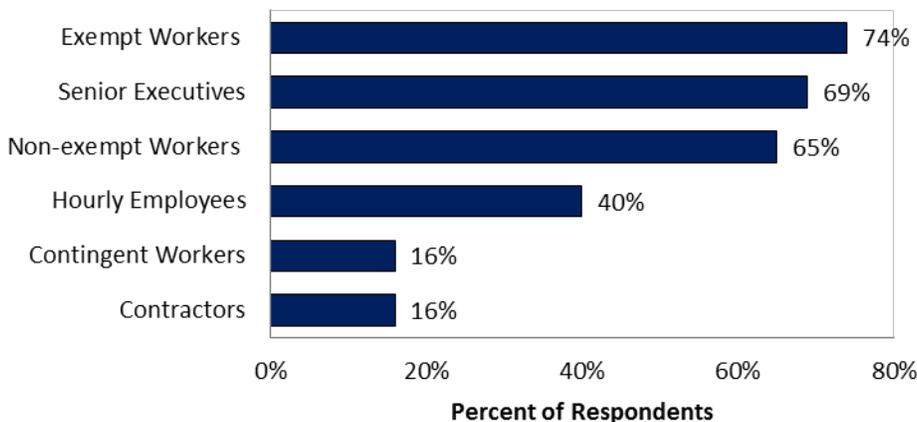
As this report will show, these challenges around employee engagement are
not insurmountable. Organizations have achieved dramatic gains not only in
their ability to create a clearly defined and documented program but in their
ability to measure results.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-
Class from Industry Average and Laggard organizations:

- Employee performance (defined as year-over-year improvement in
  the percentage of employees ranked as "meets" or "exceeds"
  performance expectations at last performance review)

- Candidate acceptance (defined as the percentage of first choice
  candidates that accepted an offer)

- Percentage of employees who indicate they are highly engaged (as a
  result of the most recent employee engagement survey)

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	▪ 71% of employees received a rating of exceeds performance expectations ▪ 85% of 1st choice candidates accepted an offer ▪ 72% of employees rated themselves as highly engaged
Industry Average: Middle 50% of aggregate performance scorers	▪ 33% of employees received a rating of exceeds performance expectations ▪ 63% of 1st choice candidates accepted an offer ▪ 39% of employees rated themselves as highly engaged
Laggard: Bottom 30% of aggregate performance scorers	▪ 14% of employees received a rating of exceeds performance expectations ▪ 8% of 1st choice candidates accepted an offer ▪ 9% of employees rated themselves as highly engaged

Source: Aberdeen Group, July 2012

The Best-in-Class PACE Model

Excellence in employee engagement results from a combination of
strategies, capabilities, and enabling technologies. The Best-in-Class display a
number of common core characteristics:

- Deep commitment to align engagement objectives to overall business
  objectives

- Ability to treat employees as customers by applying the same level of attention to employee engagement that is given to customer engagement

- Strong communication on strategy to all key stakeholders including employees, candidates, managers and senior executives

- Inclusion of rewards and recognition program to help drive engagement strategies

Table 2: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
▪ Growth goals putting pressure on productivity and performance	▪ Focus on career paths and development opportunities ▪ Improve cross-company communication strategies	▪ Development plans are agreed to by employees and managers ▪ Metrics to define the success of engagement are clearly defined ▪ A standard process to measure engagement is in place	▪ Learning management systems, performance management systems and employee self-service portals ▪ Onboarding systems ▪ Employer branding tools ▪ Innovative tools such as social media (internal and external sites) ▪ Integration with onboarding solutions ▪ Innovation is a key criteria for selection

Source: Aberdeen Group, July 2012

Best-in-Class Strategies

The key characteristic of any successful employee engagement strategy is communication. Communication needs to be consistent, bi-directional and involve both internal and external parties. Employers must be willing to accept and receive honest and open feedback from these individuals. Internally, employees, managers and senior leaders should be informed of the strategy design, implementation and measurement. 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 employees will feel a sense of responsibility for the success of engagement efforts and can serve as champions of the program. Some organizations are even positioning themselves as a "community" to better foster a culture of greater communication and engagement.

Additionally, employee engagement strategies should incorporate development opportunities for employees - as indicated by 39% of organizations. Employees that are engaged in the company are interested in aligning their professional growth to improve organizational growth. These employees are more likely to invest in a company that invests in them. Career development is how individuals manage their career paths and requires the involvement of organizations to help structure this development. It is a collaborative effort between employer and employee and ultimately, create greater engagement.

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Figure 4: Best-in-Class Strategic Actions

Source: Aberdeen Group, July 2012

Organizations that execute on these strategic activities are able to achieve business results such as customer retention and revenue per employee. Best-in-Class organizations improved customer retention, customer satisfaction, and revenue per full-time employees at twice the rate of Industry Average and Laggard organizations. The following pages will highlight some of the critical elements to consider when rolling out an engagement program and driving business results.

Figure 5: Year Over Year Improvement of Business Metrics

Source: Aberdeen Group, July 2012

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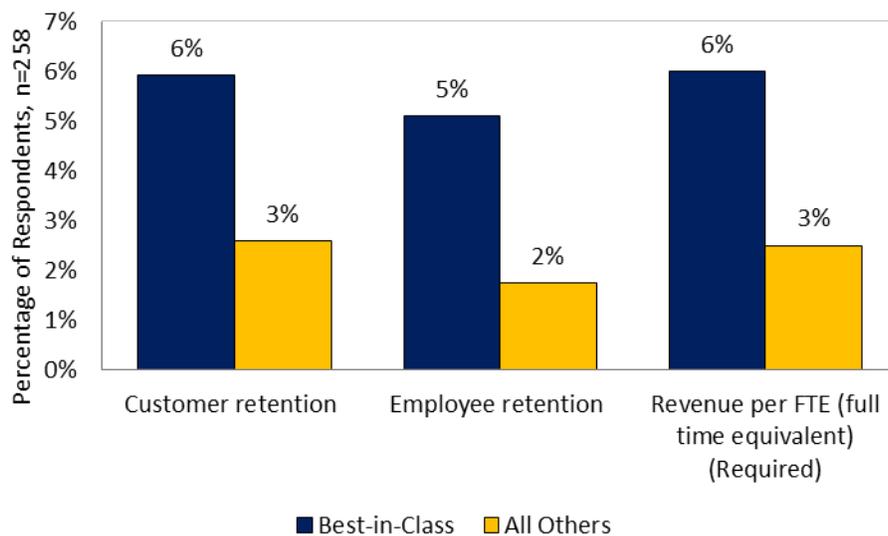
Establishing Ownership

Although engagement is critical to the business, only 42% of organizations believe that their employees are more engaged after implementing a strategy. One reason engagement programs fail is due to a lack of ownership. Ideally, engagement should be driven by senior leaders, designed by HR and then implemented consistently by managers. Yet, in reality, establishing a clear owner is often challenging. For 63% of Best-in-Class organizations, CEOs are the primary champions of the programs compared to 41% of All Others (Industry Average and Laggard). These CEO's recognize the value of motivating employees and support engagement initiatives. Yet, depending on the size of the organization, CEOs are not always in the best position to own, execute and evaluate the engagement strategy.

Figure 6: CEO is the Champion of Engagement
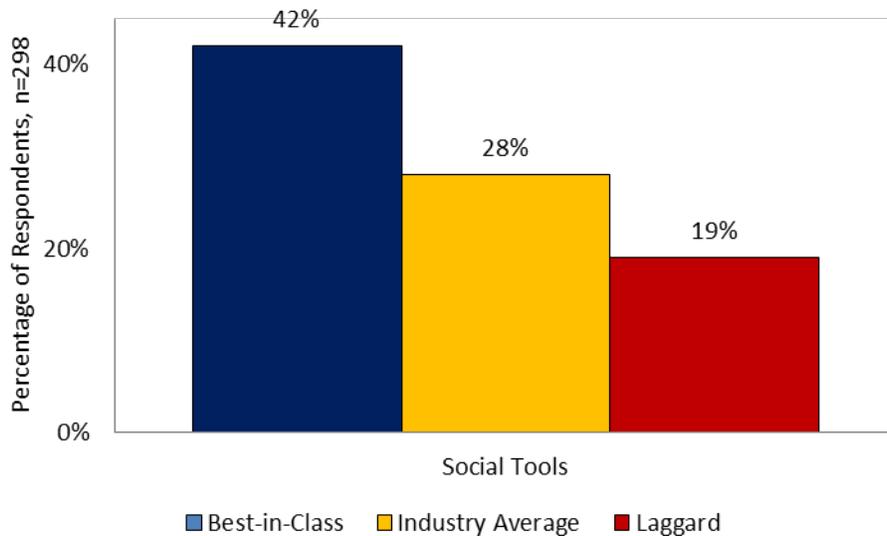
Source: Aberdeen Group, July 2012

For 73% of organizations, the owner of engagement is HR (73%) while 26% cited business leadership. Regardless of the primary owner, engagement needs to be a joint endeavor between senior leadership, HR and the business. This collaboration should have the support from executives and establish a strong relationship to design and implement a program that achieves results.

Designing a Business-Centric Program

Once ownership is established, organizations need to define what is needed to design a results-driven program. Traditionally, organizations have relied solely on engagement surveys for engagement efforts. Although, these

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surveys are often effective at gauging engagement levels, they do not
improve organizational performance. Today's complex workforce requires a
more robust and actionable approach. Organizations should view employee
engagement with the same attention given to customer engagement.
According to Aberdeen's 2012 _The ROI of CEM Programs_ report, 66% of
organizations have a formalized customer engagement strategy compared to
31% of organizations that have a formalized employee engagement strategy.

HR and business leaders responsible for employee engagement should
consider designing a program for employees that mirrors customer
engagement programs. These programs have already received support and
buy-in and are evaluated and measured on a consistent basis. For example, if
an organization is going through an acquisition, customer engagement needs
to be a strategic process in order to ensure customer retention.
Organizations should also prioritize employee engagement programs as a
way to employee retention. Best-in-Class are already making this
connection. Seventy-three percent of Best-in-Class organizations are able to
link employee engagement to profitability either through validated data or a
"gut" feel.

Figure 7: Engagement is Linked to Profitability
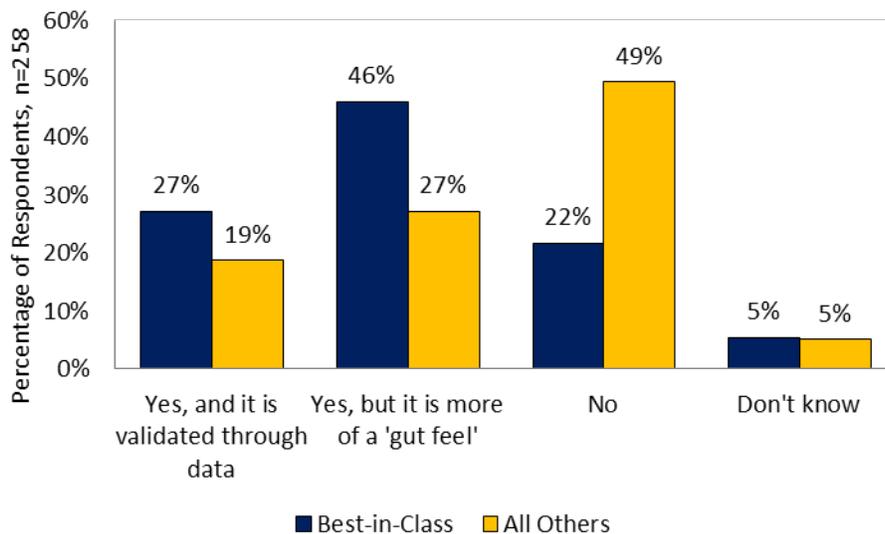
Source: Aberdeen Group, July 2012

Invest in Rewards and Recognition

A strong rewards and recognition program can also help to boost employee
engagement. In fact, 95% of organizations stated that they believe rewards
and recognition programs improve 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.

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Although rewards and recognition programs have the power to transform engagement, many of these programs are proving to be ineffective. Only 22% of organizations are satisfied or extremely satisfied with their current programs. In order for rewards and recognition to work, organizations need to understand that rewards and recognition are two distinct processes with different objectives. Aberdeen defines rewards and recognition as the following:

- Rewards: providing employees with incentives for accomplishing performance goals

- Recognition: acknowledging an employees' contributions, talents and skills on a consistent basis

While rewards give employees milestones to achieve organizational goals, recognition is the key to engagement. It is what can motivate employees and make them feel appreciated. In order to engage employees, organizations must not only understand the distinctions between rewards and recognition but find a balance and integration between the two. Rewards can help employees reach goals and recognition encourages them along the way. Only 19% of organizations fully integrate reward and recognition programs (see Figure 8).

Figure 8: Integration of Rewards and Recognition

Source: Aberdeen Group, July 2012

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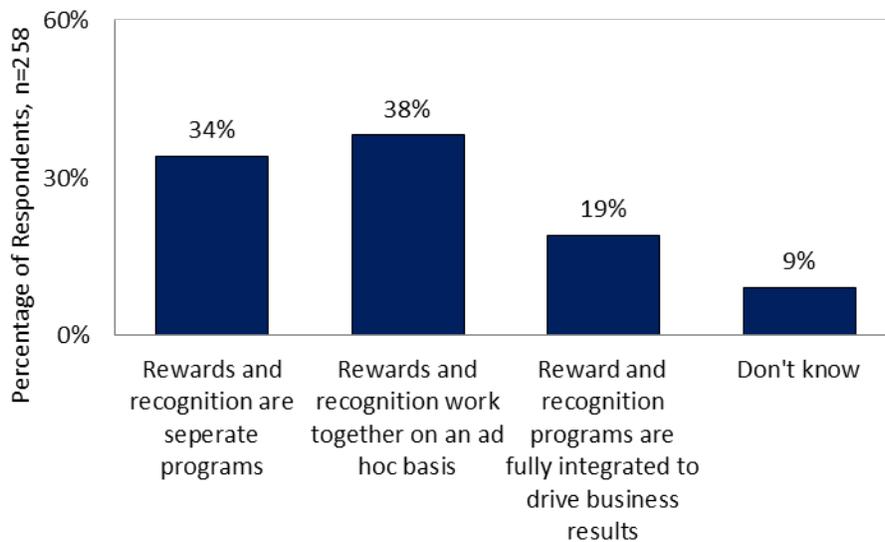
Aberdeen Insights — Strategy

Employee engagement is at the heart of any integrated talent management strategy. Over the past decade, organizations have been embracing integrated talent management as a way to share data, consolidate systems and engage employees. Within an integrated talent management model, Aberdeen identified three critical areas that can improve engagement:

Onboarding: Any successful onboarding strategy includes a strategic engagement component. New hires now expect to be given the same level of attention during onboarding that they received during the recruitment phase. The most critical activities for engaging employees during onboarding were having all supplies needed on day one and socializing new hires in the company culture -ranked as 4.2 and 3.9 respectively (1 being the least critical and 5 being the most critical). Organizations can achieve this goal through activities such as peer networking, mentor programs and a "buddy system." Also, the top HR metric identified in Aberdeen's 2012 Strategic Onboarding report was engagement receiving a ranking of 4.4 (1 being the least valuable and 5 being the most valuable).

Career Development: Unlike succession planning where organizations determine career mobility, career development gives employees control to own their own career paths. It can empower employees and make them feel more engaged in the company. Organizations identified mentoring/coaching and providing career paths for employees to understand and acquire necessary skills as the most critical areas for engaging employees in the development phases (ranked as 4.1 and 4.0 respectively).

Performance Management: Performance management and engagement strategies share similar goals: greater alignment between the needs of individuals and what the business requires to achieve results. Both strategies require continuous feedback and open communication. Organizations cited frequent, informal feedback meetings with a direct manager as having the greatest impact on employee engagement (ranked as 4.4).

In the next chapter, we will see what the top performers are doing and the technology they are adopting to achieve these gains.

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Chapter Two:
Benchmarking Requirements for Success

The selection and implementation of employee engagement solutions and
their integration with various talent management systems plays a crucial role
in the ability to turn these strategies into performance and growth.

Case Study —Zappos

Founded in 1999, Zappos was the first online retailer to specialize in
shoes. Over the past decade, the organization has evolved dramatically
and is now structured into ten separate companies under the Zappos
family umbrella. In order to sustain this growth, corporate culture is
paramount. In fact, culture is Zappos' "biggest asset" and plays a
significant role in shaping the direction of its employee engagement
strategy.

The corporate culture at Zappos was spearheaded by CEO, Tony Hsieh.
Hsieh's vision was to create a company where every individual enjoyed
coming to work every day. Due to previous experiences, Hsieh
recognized that as an organization grows achieving a high level of
employee engagement becomes increasingly difficult. In 2004, he initiated
a project to define the culture and create a strategy that would hire
people based on cultural fit. Hsieh created a list of 39 values and then,
sent these values to employees for feedback. Over a one year period, the
entire company collaborated to narrow this list down to a list of 10 core
values that would define the company. Not only did Hsieh engage
employees in this process, but he also ensured that any new hire would
be held accountable to these values. According to Christa Foley, Senior
HR Manager, "The culture is everyone's responsibility."

Zappos has two major components to its engagement program including
a new hire training program and a dedicated team focused on engagement
initiatives.

- **New Hire Training**: Regardless of job level, every employee
  from senior executive to entry level employees goes through the
  same onboarding process. Onboarding lasts for one month and
  during this time new hires must participate in the call center
  activities in order to understand how this critical operation is
  conducted. In fact, during Zappos' busy season, every employee
  works in the call center –eliminating the need to hire seasonal
  workers. The remainder of the training is focused on
  understanding the company culture and core values.

continued

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Case Study —Zappos

- **Peace Team**: The Peace Team at Zappos is a group of six HR professionals focused solely on engagement. This team runs a variety of initiatives including engagement programs, incentive programs and company charity events. For example, the office has helium balloons for employees to recognize the achievements of co-workers. Events, parties and parades are organized by this team and held several times throughout the year.

Overall, Zappos has achieved success with its engagement strategy by building a mutual trust between employer and employee. This trust has enabled Zappos to improve retention, productivity and organizational performance. Zappos was also able to reduce costs by avoiding hiring seasonal workers during busy shopping periods such as the holidays. Although, the organization does not quantify cultural fit, it does regularly conduct surveys on employee satisfaction and correlate this metric with customer satisfaction. Employee engagement at Zappos is dynamic. It regularly evaluates programs such as the "co-worker bonus program" to determine what programs should continue to be a part of the engagement strategy.

Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

Table 3: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Socialization is part of the onboarding process		
	49%	38%	29%
Organization	Development plans are agreed to by managers and employees		
	70%	65%	56%
Knowledge	Metrics are identified and agreed upon		
	44%	35%	18%
	Subject matter experts are identified and available		
	43%	34%	24%

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	Best-in-Class	Average	Laggards
Technology	Employee engagement technology currently in use:		
	▪ 58% Performance management systems ▪ 45% employee assessment programs ▪ 42% external social networks	▪ 49% Performance management systems ▪ 41% employee assessment programs ▪ 27% external social networks	▪ 49% Performance management systems ▪ 20% employee assessment programs ▪ 20% external social networks
Performance	Link engagement to profitability		
	27%	20%	19%

Source: Aberdeen Group, July 2012

Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with
end users, Aberdeen's analysis of the Best-in-Class indicates that the
following factors are critical to success:

- Creating a consistent engagement process throughout the organization

- Ensuring that managers and senior executives are supporting the
process

- Defining key metrics in advance and ensuring that these metrics meet
both HR and business objectives

Process

Process capabilities for employee engagement involve collaboration between
managers and employees. During a weak economy, the relationship between
employers and employees has been strained, and for many organizations,
lacks honestly and authenticity. Engagement programs can help repair this
shaky relationship but it requires a balance between standardization and
personalization. Eighty-six percent of Best-in-Class organizations have a
standard engagement strategy in place or plan to implement one in the next
year compared to 55% of Laggard organizations. A standard process is
monitored, measured and evaluated regularly. Yet, when considering
employee engagement, organizations also need to personalize the
engagement process.

Employee development is one way to achieve this goal. Unlike other areas
of talent management, the overarching objective of development is to
empower the individual. Managers and employees need to work together to
achieve this goal and create a personalized approach to development. If
employees are given the tools they need to manage their career
development, they are more motivated and more likely to contribute to
organizational growth strategies. For example 88% of Best-in-Class
organizations, performance goals are agreed to by managers and employees
compared to 63% of Laggard.

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**Figure 9: Process Capabilities for Employee Engagement**
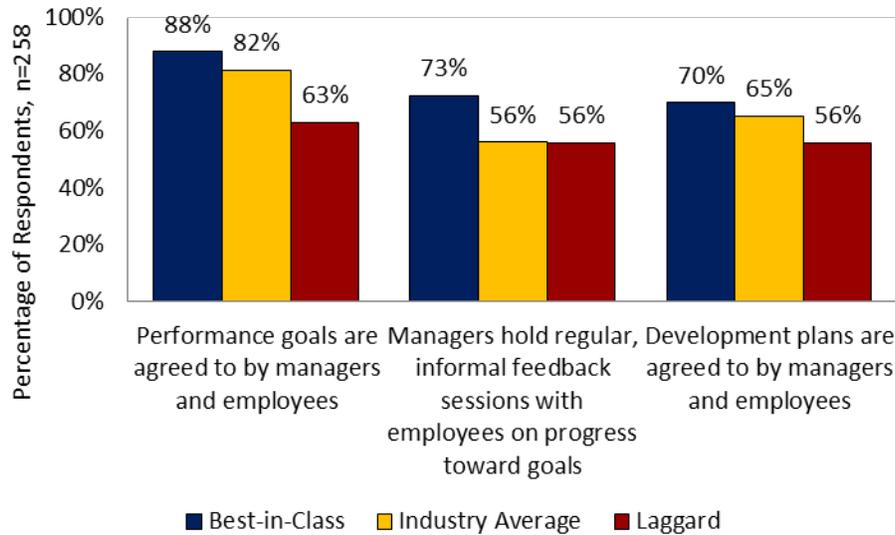
Source: Aberdeen Group, July 2012

Organization

In order for employee engagement to achieve business results, organizations need to properly allocate resources. One of the top three barriers for implementing an employee engagement strategy, cited by 39% of organizations, is the lack of time- as organizations are focused on other priorities. HR and business leaders are often juggling multiple administrative and strategic projects and employee engagement falls on the back burner. If organizations identify and allocate resources for engagement, it will be taken more seriously. When allocating resources, organizations need to consider dedicated subject matter experts, coaches, third-party consultants, and technology.

Once resources are allocated, organizations can gain buy-in for employee engagement and secure a budget. Ninety-five percent of Best-in-Class organizations have a set budget for employee engagement or plan to have a budget in the next 12 months. Furthermore, 46% of these organizations are planning to increase investment in the next 12 months compared to 28% of All Others (Industry Average and Laggard organizations). As stated earlier, an investment in engagement should dovetail the company growth strategy.

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Figure 10: Budget for Employee Engagement
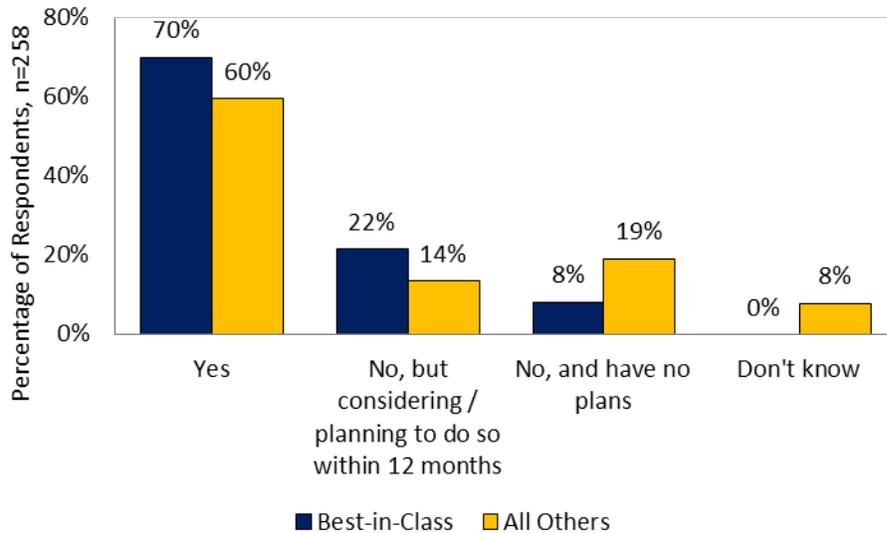
Source: Aberdeen Group, July 2012

Knowledge Management

Employee engagement is not a program isolated to HR but instead should involve and impact every area of the business. In order to build and execute an effective employee engagement strategy, senior executives and managers must be onboard and directly influencing these programs. Although, their roles in the process differ greatly, their support and involvement are critical to achieving results. Fifty-two percent of Best-in-Class organizations stated that senior executives fully support these programs compared to 42% of All Others (Industry Average and Laggard).

Manager support is even more critical since managers play a greater role in engagement. Unlike senior executives, managers need clear lines of communication with employees and need to execute this strategy consistently for every direct report. Fifty-seven percent of Best-in-Class organizations stated that managers are fully involved compared to 38% of All Others. Managers need to not only support the program but hold regular feedback sessions as well as receive training on the tools and resources required for engaging employees.

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Figure 11: Organizational Capabilities that Drive Performance


Source: Aberdeen Group, July 2012

Technology and Enablers

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 authenticate 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 performance management systems, Employee self-service portals and learning management systems (see Figure 12).

- Performance management systems (62%) can enable managers to work with employees on designing performance goals, providing informal feedback and evaluating productivity.

- Employee self-service (49%) systems provide seamless, personalized content, information and collaboration to employees.

- Learning management systems (37%) enable managers and employees to access learning content, connections to peers and also provide a personalized approach to training and learning content.

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Figure 12: Systems Used for Employee Engagement
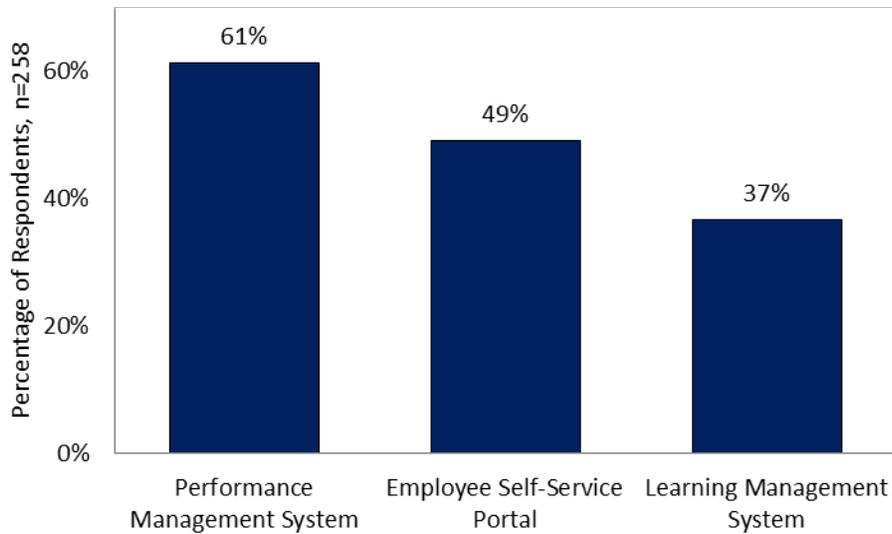

Source: Aberdeen Group, July 2012

Case Study —Caesar's Entertainment Corporation

Caesar's Entertainment Corporation is the world's leading provider of branded casino entertainment with fifty-two casino's resorts in seven countries. In order to maintain growth in a highly competitive market, Caesar's needs to ensure that all 85,000 employees are contributing to organizational performance and productivity. It is achieving this goal by engaging employees during the onboarding process and by investing in a technology solution that ensures that new hires are up-to-speed and motivated before day one.

Prior to investing in an onboarding system, onboarding at Caesar's was a negative experience for hiring managers and new hires. The cumbersome forms completion process was a contributing factor along with a failure to engage new hires early in the process. By investing in a new onboarding process and technology, Caesar's greatly improved not only the data collection for new hire forms but also the level of communication and collaboration between new hires and employers. Once new hires accept an offer, they receive a link to login and complete all forms before day one. They also have access to a customized onboarding portal to provide personalized information to help socialize them in the company culture. New hires also receive information about corporate social responsibility such as Caesar's sustainability efforts to reduce the amount of water, waste and consumption at its 52 properties. The new onboarding system clearly sets the foundation for greater employee engagement.

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In a crowded market, selecting the right engagement provider is a complex
and at times, confusing process for many organizations. They key criteria for
selecting the right provider include cost (46%), return on investment (32%),
and customization (32%). Organizations want to ensure that technology
solutions will deliver results and can be customized to the unique talent
needs of the organization. Best-in-Class organizations are over three times
more likely to consider innovation than All Others (Industry Average and
Laggard) when selecting technology providers.

**Figure 13: Innovation as a Key Criteria for Selecting Engagement
Systems**
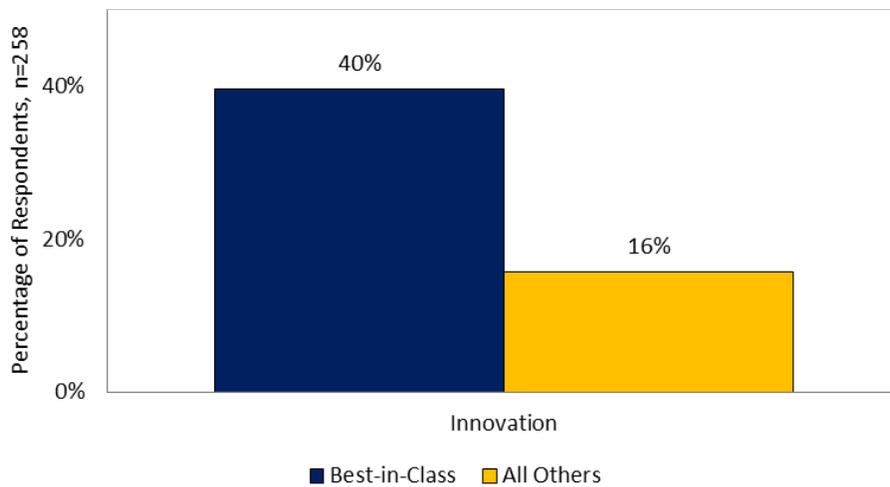
Source: Aberdeen Group, July 2012

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 in
Chapter One, 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.
Seventy-one percent of Best-in-Class organizations measure the process at
least once a year, while 30% of those organizations measure the process at
least once a month.

When determining the metrics used to measure engagement, organizations
should ensure that these metrics align with business metrics. Unsurprisingly,
retention, performance and productivity were cited as the top metrics used
to demonstrate the value of engagement. Best-in-Class organizations ranked
retention (4.60), performance (4.60) and productivity (4.40) as having the
greatest value (1 being the least valuable and 5 being the most valuable) to
the business.

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Aberdeen Insights — Technology

When looking to recruit and retain talent, organizations need to differentiate themselves from the competition. As a result, innovation is a key attribute of employee engagement. Organizations are looking to break away from traditional models and technology in favor of a more innovative way to engage talent. As stated in the above "Technology" section, Best-in-Class organizations (40%) are more likely to select innovative technology providers than Industry Average and Laggards (16%).

One way organizations are differentiating their employee engagement strategies is by leveraging social media. Social media has transformed the way organizations identify, develop and retain talent. It offers greater collaboration, communication and enhanced branding – all elements that strengthen employee engagement. Best-in-Class organizations are taking advantage of both external and internal sites in engagement efforts.

External sites such as Facebook, Twitter and LinkedIn can help recognize employees' contributions publicly driving engagement. Engagement activities on these sites can also be used to attract talent. Internal sites can connect employees with peers, acknowledge performance, and provide more collaboration between individuals. Forty-two percent of Best-in-Class organizations are leveraging external social networking sites compared to 24% of All Others. Thirty-five percent of Best-in-Class organizations are leveraging internal networking sites compared to 22% of All Others.

Figure 14: The Use of Social Media for Engagement

Source: Aberdeen Group, July 2012

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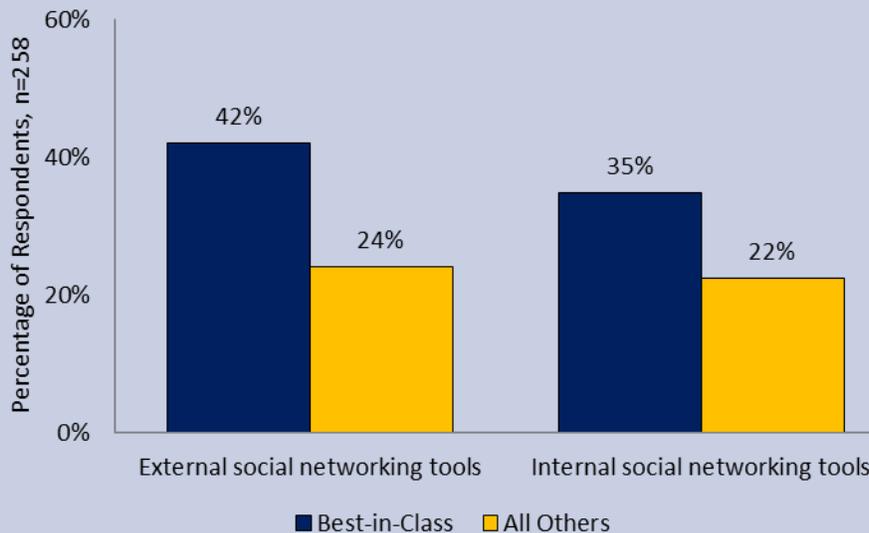
Chapter Three:
Required Actions

Whether a company is trying to move its performance in Employee
Engagement from Laggard to Industry Average, or Industry Average to Best-
in-Class, the following actions will help spur the necessary performance
improvements:

Laggard Steps to Success

- **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. CEO's are champions of employee engagement for only 35% of
  Laggard organizations compared to 63% of Best-in-Class organizations.

- **Allocate resources.** HR and business leaders are often juggling multiple
  administrative and strategic projects and employee engagement falls on the
  back burner. If organizations identify and allocate resources for engagement,
  it will be taken more seriously. Only 52% of Laggard organizations allocate
  resources for engagement compared to 76% of Best-in-Class organizations.

- **Design a program.** Once organizations gain buy-in for employee
  engagement, designing a program may feel overwhelming. Organizations
  need to ensure that they are reaching a broad audience, focus on
  development opportunities and have strong communication in place.

Industry Average Steps to Success

- **Think in terms of customer engagement.** Employee engagement is
  a business initiative and needs to be linked to organizational
  performance. Organizations should view employee engagement with the
  same attention given to customer engagement. Currently, only 20% of
  Industry Average organizations are able to link changes in profitability to
  employee engagement initiatives compared to 27% of Best-in-Class
  organizations.

- **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. Only 24% of Industry Average organizations are
  extremely satisfied or satisfied with their rewards and recognition
  programs.

- **Invest in technology.** Technology can help to standardize employee
  engagement and improve its reach across the organization. Industry
  Average organizations need to consider both existing technology as well
  as innovative providers and the ability to show the ROI back to the

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business. The key criteria for selecting the right provider for industry
average organizations is cost (49%).

Best-in-Class Steps to Success

- **Consider integrated talent management to drive engagement.**
  Over the past decade, organizations have been embracing integrated
  talent management as a way to share data, consolidate systems and
  motivate employees. Recruitment, development and retention become
  simpler when employees are consistently engaged through every stage
  of the employee lifecycle.

- **Include contingent labor.** Despite the growth and opportunity of a
  flexible workforce, the majority of employee engagement efforts do not
  include contract or contingent labor. By excluding contingent labor
  from engagement strategies, these workers may not produce as quickly,
  remain with your organizations for the duration of critical projects or
  adapt to rapid changes in the business.

- **Consider social media.** One way organizations are differentiating
  their employee engagement strategies is by leveraging social media.
  Social media has transformed the way organizations identify, develop
  and retain talent. It offers greater collaboration, communication and
  enhanced branding – all elements that strengthen employee engagement.
  Forty-two percent of Best-in-Class organizations are leveraging external
  social media sites.

Aberdeen Insights — Summary
Employee engagement has the power to improve retention, productivity and overall organizational performance. In order to achieve results, organizations need to be able to gain support for initiatives, establish ownership and design a business driven program. Technology enables organizations to link engagement to areas such as recruitment, learning, onboarding and performance management.

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Appendix A:
Research Methodology

Between June and July 2012, Aberdeen examined the use, the experiences, and the intentions of 298 enterprises using human capital management solutions in a diverse set of industries and geographies.

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on HCM strategies, experiences, and results.

Responding enterprises included the following:

- *Job title:* The research sample included respondents with the following job titles: CEO / President (14%); EVP / SVP / VP (17%); Director (21%); Manager (26%); Consultant (9%); Staff (5%); and other (8%).

- *Department / function:* The research sample included respondents from the following departments or functions: HR / talent management (56%); corporate management (9%); business development, sales and marketing (8%); quality management (5%); operations (5%); IT (5%) and other (12%).

- *Industry:* The research sample included respondents from a wide variety of industries. Some of the larger industries represented were IT consulting / services (8%); software (6%); government (5%); financial services (5%); and education (5%).

- *Geography:* The majority of respondents (66%) were from North America. Remaining respondents were from Europe (13%); the Asia-Pacific region (13%); Middle East / Africa (6%): and South America (2%).

- *Company size:* Twenty-seven percent (27%) of respondents were from large enterprises (annual revenues above US $1 billion); 31% were from midsize enterprises (annual revenues between $50 million and $1 billion); and 42% of respondents were from small businesses (annual revenues of $50 million or less).

- *Headcount:* Forty-five percent (45%) of respondents were from large enterprises (headcount greater than 1,000 employees); 28% were from midsize enterprises (headcount between 100 and 999 employees); and 27% of respondents were from small businesses (headcount between 1 and 99 employees).

Study Focus

Responding human capital and line of business executives completed an online survey that included questions designed to determine the following:

√ The degree to which HR technology is deployed and the performance implications of the technology

√ The structure and effectiveness of existing HR and talent management implementations

√ Current and planned use of HCM solutions

√ The benefits, if any, that have been derived from HCM initiatives

The study aimed to identify emerging best practices for HCM technology usage, and to provide a framework by which readers could assess their own management capabilities.

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Table 4: The PACE Framework Key

Overview
Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows: **Pressures —** external forces that impact an organization's market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive) **Actions —** the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy) **Capabilities —** the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing) **Enablers —** the key functionality of technology solutions required to support the organization's enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)

Source: Aberdeen Group, July 2012

Table 5: The Competitive Framework Key

Overview	
The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance: **Best-in-Class (20%) —** Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance. **Industry Average (50%) —** Practices that represent the average or norm, and result in average industry performance. **Laggards (30%) —** Practices that are significantly behind the average of the industry, and result in below average performance.	In the following categories: **Process —** What is the scope of process standardization? What is the efficiency and effectiveness of this process? **Organization —** How is your company currently organized to manage and optimize this particular process? **Knowledge —** What visibility do you have into key data and intelligence required to manage this process? **Technology —** What level of automation have you used to support this process? How is this automation integrated and aligned? **Performance —** What do you measure? How frequently? What's your actual performance?

Source: Aberdeen Group, July 2012

Table 6: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.

Source: Aberdeen Group, July 2012

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Appendix B:
Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this
report includes:

- *The Talent Acquisition Lifecycle: From Sourcing to Onboarding*; September 2011

- *The Engagement / Performance Equation*; July 2011

- *Assessments 2011: Selecting and Developing for the Future*; May 2011

- *Onboarding 2011: The Path to Productivity*; March 2011

- *The 2011 HR Executive's Agenda: Automation, Innovation and Growth*; December 2010

Information on these and any other Aberdeen publications can be found at
www.aberdeen.com.

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